

# Intended Offer of Bonds

10 October 2022



**LGFA**



New Zealand Local  
Government Funding Agency  
Te Pūtea Kāwanatanga ā-rohe

# Important Notice and Disclaimer

Local Government Sector Update

LGFA Update

LGFA Debt Market Activity and Consideration of Bond Offer

Appendices



This presentation contains the key terms of proposed offers of bonds ("**Bonds**") by New Zealand Local Government Funding Agency Limited ("**LGFA**"). If offered, the Bonds would be offered under LGFA's master trust deed dated 7 December 2011 (as amended from time to time) ("**Master Trust Deed**") as is supplemented by a supplemental trust deed dated 15 February 2012 (as amended from time to time) (together, the "**Trust Documents**") entered into between LGFA and Trustees Executors Limited ("**Supervisor**"). The Bonds would be "Retail Notes" for the purposes of the Trust Documents.

No money is currently being sought and applications for the Bonds cannot currently be made. If LGFA offers the Bonds, the offers will be made in accordance with the Financial Markets Conduct Act 2013 as an offer of debt securities of the same class as existing quoted debt securities. The Bonds are expected to be quoted on the NZX Debt Market.

The proposed offers of Bonds by LGFA, if made, will each be made in reliance on the exclusion in clause 19 of schedule 1 to the Financial Markets Conduct Act 2013 ("**FMCA**"), and will each be an offer of bonds that have identical rights, privileges, limitations and conditions (except for the interest rate and/or maturity date) as LGFA's:

- (a) fixed rate bonds maturing on 15 April 2023 with an interest rate of 5.50% per annum, which are quoted on the NZX Debt Market under the ticker code LGF050;
- (b) fixed rate bonds maturing on 15 April 2027 with an interest rate of 4.50% per annum, which are quoted on the NZX Debt Market under the ticker code LGF060;
- (c) fixed rate bonds maturing on 15 April 2025 with an interest rate of 2.75% per annum, which are quoted on the NZX Debt Market under the ticker code LGF070;
- (d) fixed rate bonds maturing on 14 April 2033 with an interest rate of 3.50% per annum, which are quoted on the NZX Debt Market under the ticker code LGF080;
- (e) fixed rate bonds maturing on 15 April 2024 with an interest rate of 2.25% per annum, which are quoted on the NZX Debt Market under the ticker code LGF100;
- (f) fixed rate bonds maturing on 20 April 2029 with an interest rate of 1.50% per annum, which are quoted on the NZX Debt Market under the ticker code LGF110;
- (g) fixed rate bonds maturing on 15 April 2026 with an interest rate of 1.50% per annum, which are quoted on the NZX Debt Market under the ticker code LGF120;
- (h) fixed rate bonds maturing on 15 April 2037 with an interest rate of 2.00% per annum, which are quoted on the NZX Debt Market under the ticker code LGF130;
- (i) fixed rate bonds maturing on 15 May 2031 with an interest rate of 2.25% per annum, which are quoted on the NZX Debt Market under the ticker code LGF140;
- (j) fixed rate bonds maturing on 15 May 2028 with an interest rate of 2.25% per annum, which are quoted on the NZX Debt Market under the ticker code LGF150, and
- (k) fixed rate bonds maturing on 15 May 2035 with an interest rate of 3.00% per annum, which are quoted on the NZX Debt Market under the ticker code LGF160.

(together, the "**Quoted Bonds**").

Accordingly, the proposed Bonds will, if offered, be of the same class as the Quoted Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014.

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The Quoted Bonds are the only debt securities of LGFA that are currently quoted and in the same class as the Bonds.

Investors should look to the market price of the Quoted Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds.

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## **Local Government Sector Update**

LGFA Update

LGFA Debt Market Activity and Consideration of Bond Offer

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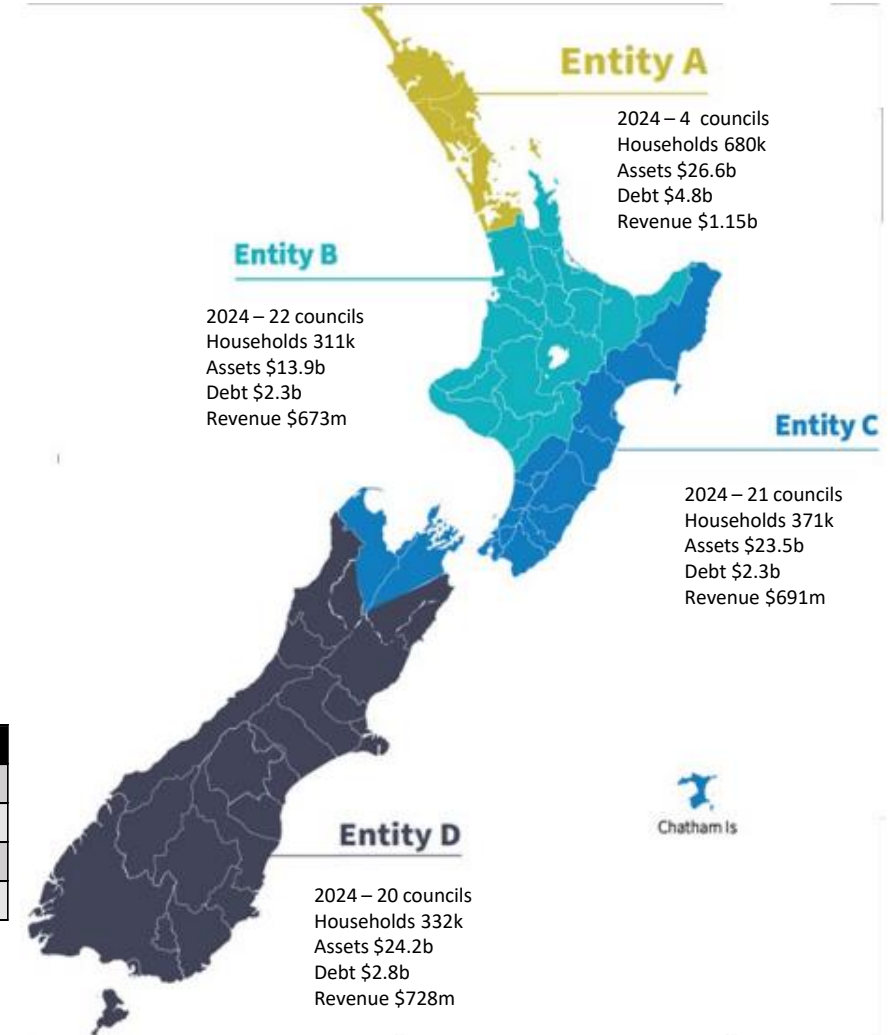


- ❑ Analysis by the Department of Internal Affairs (“DIA”) in May 2020 forecast that council funding revenue would fall between 2.3% and 11% in the 2020/21 financial year. This was in response to NZ moving to level 4 lockdown on 25 March 2020.
- ❑ Impact on sector was significantly less than anticipated:
  - Actual revenue in 2020/21 financial year increased 3.2% from 2019/20 financial year;
  - Impact on rural councils was minimal;
  - Some metro councils are experiencing some ongoing impact on revenue. This is mainly due to loss of public transport revenue. Reduced events revenue and dividends from commercial activities are also a factor.
  - Government has provided financial support for businesses. To date there is no evidence of an increase in rate arrears.
- ❑ Council sector was a significant beneficiary of Central Government grant funding over past two years, including COVID-19 assistance:
  - Three Waters grant funding of NZ\$761 million;
  - NZ\$2.6 billion of funding for council and community projects (shovel ready projects);
  - NZ\$3.0 billion of Provincial Growth Fund grants from 2019 to 2021 for investment in regional economic development.

- ❑ Going into COVID-19 the council sector's ability to service debt had improved significantly.
  - Net interest to revenue had fallen from 7.3% in 2013 to 2.8% in 2021 (rated councils)
  - Net interest to revenue had fallen from 3.2% in 2013 to 1.2% in 2021 (unrated councils)
- ❑ Rising interest rates mean the ability to service debt is unlikely to improve further. But interest rate hedges will provide some protection over the next few years.
- ❑ The council sector was better positioned than it was six years prior from an affordability perspective.
  - Net debt to revenue has fallen from 111.8% in 2013 to 81.7% in 2021 (rated councils)
  - Net debt to revenue has fallen from 52.5% in 2013 to 19.5% in 2021 (unrated councils)
- ❑ This view is reinforced by the number of credit rating upgrades that have occurred in the sector over recent years.
- ❑ The highest net debt to revenue outcome was 206.0% as at June 2021, versus maximum cap at 300%.
- ❑ Historically, a number of councils have had a net debt to revenue ratio over 200%.

# THREE WATER REFORMS

- July 2020, the Government launched the Three Waters Reform Programme.
- October 2021, the Government announced it would create four Water Services Entities (“WSEs”).
- There is general consensus that reforms are needed, although a large part of the local authority sector are opposed to the Government’s proposed model.
- The proposed WSEs will work alongside the water services regulator, which currently oversees and enforces the new drinking water regulatory framework.
- The Water Services Entities Bill was introduced in Parliament in June 2022.
- Technical Working Groups have been created to refine reform details.
- Councils will continue delivering water services until July 2024.
- \$2.5 billion support package provided to councils to ensure no council is left worse off (this is in addition to the repayment of any three water debt). The first tranche of this payment was available from 1 July 2022.
- The proposed WSEs will be collectively owned by councils, but councils would be prohibited from providing any guarantees or financial support (balance sheet separation) and they cannot receive any dividends.



Total Water Entities	2024	2025	2026	2027	2028	2029	2030	2031
Debt (NZ\$ billions)	\$12.21	\$13.32	\$14.41	\$15.33	\$15.63	\$15.74	\$15.66	\$15.38
Assets (NZ\$ billions)	\$88.17	\$90.36	\$92.61	\$94.86	\$97.12	\$99.38	\$101.66	\$103.95
Revenue (NZ\$ billions)	\$3.25	\$3.42	\$3.56	\$3.70	\$3.84	\$3.98	\$4.12	\$4.28
Connected Households	1,696,152	1,725,464	1,755,302	1,785,674	1,816,591	1,848,061	1,880,097	1,912,707

Source: LGFA and Department of Internal Affairs



- ❑ LGFA committed to assisting Central Government and councils with Three Waters Reform Programme
- ❑ Awaiting further technical details on proposed WSEs
  - Establishment debt
  - How to manage transition of existing three waters related debt from councils to proposed WSEs
    - Current debt in councils assigned to three water assets
    - New three water related borrowings by councils from 2022 to 2024
  - How WSEs will borrow post July 2024
- ❑ Cabinet Papers (released 30 June 2021 see <https://www.dia.govt.nz/three-waters-reform-programme-cabinet-decisions-and-reform-proposals>) suggest proposed WSEs will have wide range of potential debt funding solutions
  - NZ domestic retail and wholesale capital markets
  - LGFA
  - Offshore capital markets
- ❑ Shadow credit ratings for proposed WSEs highlight importance of WSEs within public sector
- ❑ LGFA estimated loans to councils against three water assets
  - June 2021 \$4.2 billion estimate assuming 35% of loans are three waters related
  - June 2024 \$5.5 billion forecast assuming 35% of loans are three waters related
- ❑ Average term of councils long term loans from LGFA is 4.3 years (December 2026) as at 30 September 2022.

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## SHAREHOLDERS

- ❑ NZ Government largest shareholder at 20%
- ❑ 30 councils hold 80% shareholding
- ❑ Can only sell shares to NZ Government or councils

## GOVERNANCE

- ❑ Board of six directors with 5 Independent and 1 Non Independent
- ❑ 1 Future Director on the LGFA board as an observer
- ❑ Bonds listed on NZX
- ❑ Independent Trustee
- ❑ Issue of securities under the Financial Markets Conduct Act
- ❑ Audited by Audit NZ

As at 30 September 2022

Source: LGFA

## GUARANTORS

- ❑ 69 guarantors of LGFA
- ❑ Guarantors comprise:
  - All shareholders except the NZ Government
  - Any non shareholder who may borrow more than NZ\$20 million
  - Any council shareholder of a council-controlled organisation (“CCO”) that is approved for borrowing by LGFA
- ❑ Security granted by each of the guarantors is over their rates revenue
- ❑ Guarantors cannot exit guarantee until
  - Repaid all their, and any of its CCO’s, borrowings and
  - Wait for longest outstanding LGFA bond to mature (currently 2037)

## LIQUIDITY

- ❑ Up to NZ\$1.5 billion liquidity facility from NZ Government<sup>1</sup>
- ❑ NZ\$1.32 billion liquid assets portfolio<sup>2</sup>
- ❑ NZ\$985 million of Treasury Stock currently available for repo

## BORROWERS

- ❑ 75 member councils
- ❑ 1 council-controlled organisation
- ❑ Approx. 80% market share
- ❑ Under Local Government Act 2002 councils must manage finances prudently – implies must run balanced operating surplus
- ❑ Councils borrowing secured against rates revenue
- ❑ Must meet LGFA financial covenants

## CAPITAL STRUCTURE

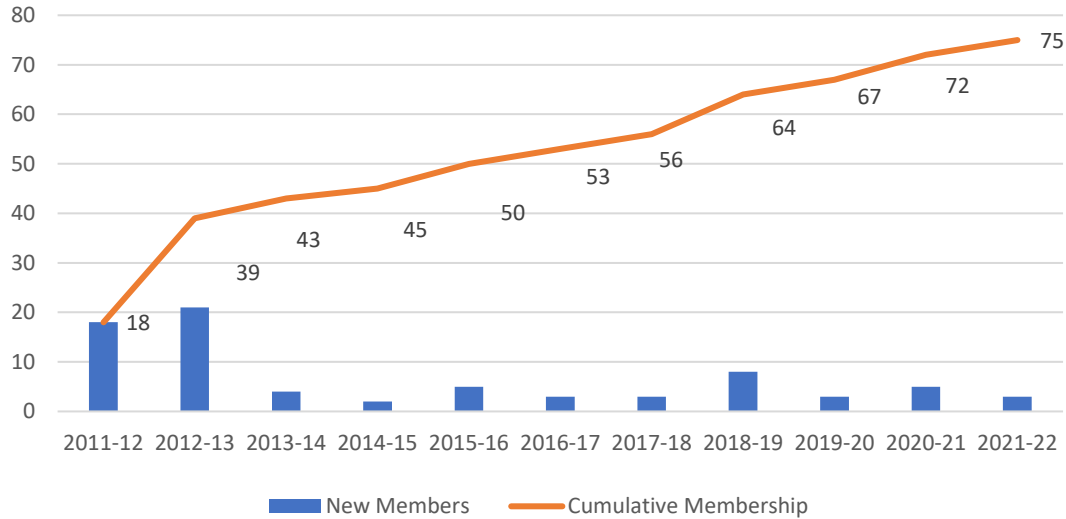
- ❑ NZ\$25 million paid in capital
- ❑ NZ\$20 million uncalled capital
- ❑ NZ\$80 million retained earnings
- ❑ NZ\$283 million Borrower Notes that can be converted to equity
- ❑ Current capital ratio of 2.40% with policy of 2% minimum and target of 3%

<sup>1</sup> Maximum amount under the facility available for liquidity purposes. The actual amount available will be the amount of commitment set by LGFA up to NZ\$1.5 billion.

<sup>2</sup> Excludes liquid assets held to support council standby facilities

# COUNCIL MEMBERSHIP AND BORROWING

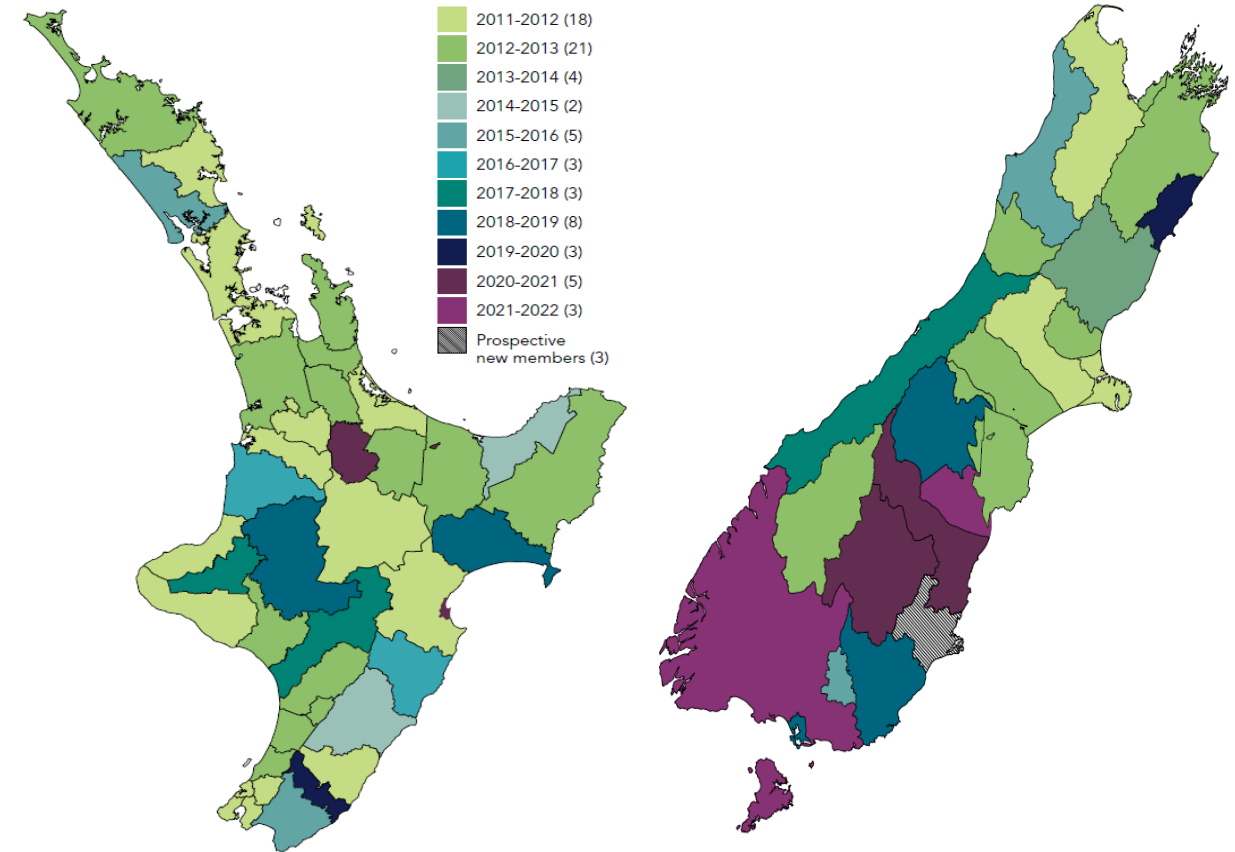
**Council Membership as at 30 September 2022**



**Council Borrowing (NZ\$ million) - calendar year**



**LGFA member councils highlighted with year of joining**



Dunedin City Council, Environment Southland and Chatham Islands District Council are not currently members.

Some councils (notably Regional Council) may overlap on this map.

There is one Council Controlled Organisation (Invercargill City Holdings Limited) that is a member

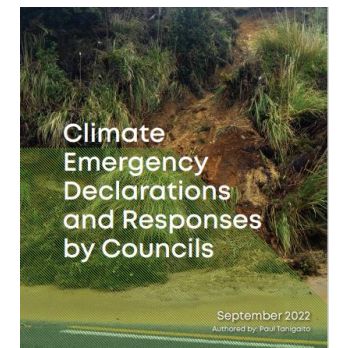
**Source: LGFA, PwC Quarterly Local Government Debt Report**

- ❑ Record amount of long-term lending to councils
  - Twelve-month period to 30 June 2022                      lending of NZ\$3.33 billion and LGFA bond issuance of NZ\$3.90 billion
  - Twelve-month period to 30 June 2021                      lending of NZ\$2.86 billion and LGFA bond issuance of NZ\$3.27 billion
- ❑ Membership
  - Three councils and one CCO joined between 1 July 2021 and 30 September 2022
  - Two councils and four CCOs in the process of joining as of 30 September 2022
- ❑ Sustainability focus across the organisation and lending activities.
- ❑ New product initiatives
  - CCO lending – 1 CCO
  - Standby facilities - NZ\$662 million to twelve councils as at 30 September 2022
  - Green, Social and Sustainability Lending Programme launched 1 October 2021 – first GSS loans made to councils in December 2021
- ❑ NZ Government Liquidity Facility maximum commitment increased to NZ\$1.5 billion and term extended to December 2031.
- ❑ Rise in interest rates has negatively impacted on unrealised mark to market (“mtm”) valuation of swaps positions used to hedge fixed rate bond issuance.
- ❑ Record amount of bond issuance in 2021-22
  - Bond issuance above forecast
  - Issued by syndication as well as tenders
  - Spreads to NZGB and swap cheapened over past 12 months
- ❑ Credit ratings
  - S&P Global Ratings                      Long term local credit rating increased to AAA and foreign currency long term credit rating to AA+ on 22 February 2021
  - Fitch    Foreign currency issuer default rating (“IDR”) raised to AA+ on 16 September 2022 – no change to domestic currency IDR of AA+
- ❑ Three Waters reform to be completed on 1 July 2024, when the four WSEs are expected to become operational.

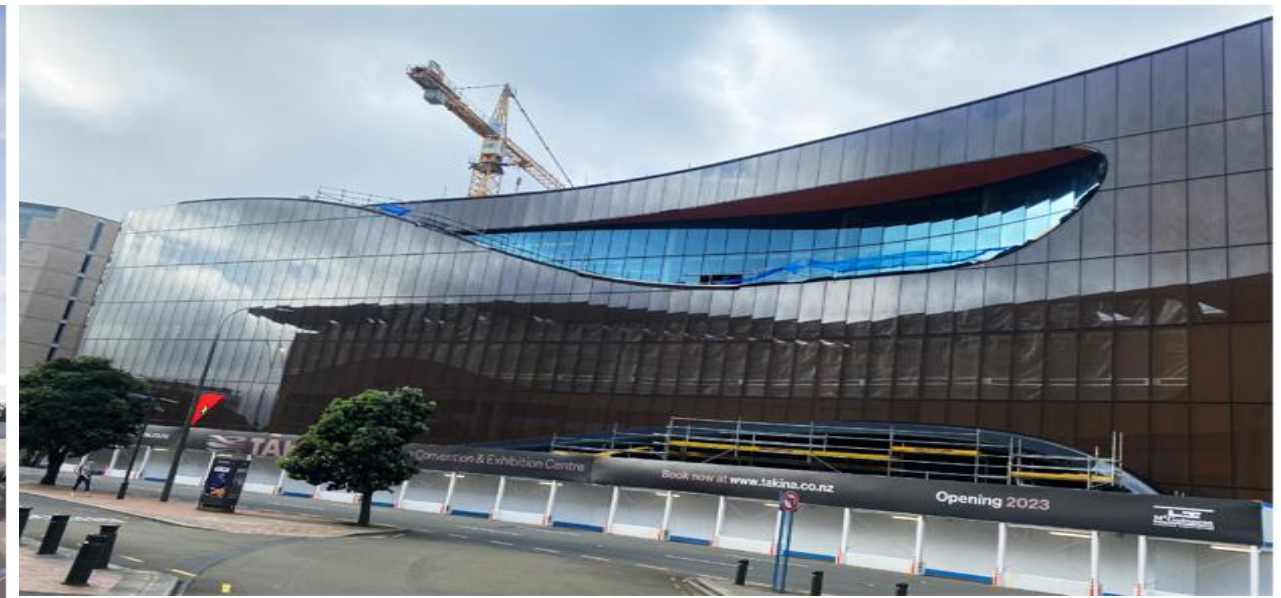
## Objective within the 2022-25 Statement of Intent (SOI)

**“Improve sustainability outcomes within LGFA and assist the local government sector in achieving their sustainability and climate change objectives.”**

- LGFA committed to reducing its carbon footprint.
  - Achieved Toitū carbonzero certification in June 2021
  - Target of reducing own greenhouse gas emissions by at least 30% by 2030 (relative to 2018/19)
  - 60% reduction in paper usage in three years to June 2021
  - Annual donation to Kauri 2000 Trust in excess of value of our calculated carbon footprint.
- Resourcing.
  - Appointment of Head of Sustainability in April 2021.
  - Sustainability Committee established.
- Establishment of a GSS lending program to member councils.
- Currently developing a Climate Action Loan product for councils.
- Consideration given to investments within our Liquid Asset Portfolio – exclusions apply.
- Published a review of Climate Change Emergency Declarations and Responses by Councils.



- ❑ Four projects approved as at 30 September 2022
  - NZ\$ 488 million approved
  - NZ\$ 101 million loans drawn to date
- ❑ 5 bps reduction in margin on eligible projects.
- ❑ Positive political reception and media / social media coverage.



## Council GSS Borrowing From LGFA

### Green Borrowing Categories

Environmental Product Development / Introduction

Pollution Prevention & Control

Clean Transportation

Terrestrial & Aquatic Biodiversity Conservation

Renewable Energy

Energy Efficiency

Environment Sustainability & Land Use

Green Buildings

Sustainable Water & Wastewater Management

Climate Change Adaptation

### Social Borrowing Categories

Socioeconomic Advancement and Empowerment

Food Security

Access to Essential Services

Employment Generation

Affordable Housing

Affordable Basic Infrastructure



## Climate Action Loans - in product development

- Similar to Sustainability Linked Loans.
- Financial incentives if
  - Council or CCO has GHG emission reduction plan in place
  - Council or CCO has met GHG emission reduction target
- Not project specific.
- Encouraging councils and CCOs to place greater emphasis on climate change.



# WHO DOES LGFA LEND TO AND WHO GUARANTEES LGFA?

Council and CCO Borrower	Amount Borrowed (NZ\$ million)	% of Total Borrowing
Auckland	\$3,597	24.2%
Christchurch City	\$2,118	14.3%
Wellington City	\$1,023	6.9%
Hamilton City	\$690	4.7%
Tauranga City	\$685	4.6%
Wellington Regional	\$602	4.1%
Queenstown-Lakes District	\$356	2.4%
Rotorua District	\$308	2.1%
Hutt City	\$266	1.8%
Kapiti Coast District	\$260	1.8%
66 other member councils and CCOs	\$4,929	33.2%

Council and CCO Borrowing	Volume (NZ\$ million)
Short Term (loan terms less than 12 months)	\$546
Long Term	\$14,288
<b>Total</b>	<b>\$14,834</b>

Borrower Type	Number of councils/CCOs	Amount Borrowed (NZ\$ million)	% of Total Borrowing
Guarantors	69	\$14,690	99.0%
Non-guarantors	6	\$54	0.4%
CCOs	1	\$90	0.6%
<b>Total</b>	<b>76</b>	<b>\$14,834</b>	<b>100.0%</b>

**Note:**

**Auckland Council borrowing is capped at 40% of total LGFA lending**

**Two member councils have yet to borrow from LGFA**

**Guarantee contains provisions apportioning share to each council based upon their relative share of total rates revenue of all guarantors. A council's obligation under the guarantee is secured against rates revenue. CCOs are not guarantors of LGFA but any council shareholder of a CCO must be a guarantor of LGFA.**

Council Guarantor	% share of Guarantee
Auckland	29.9%
Christchurch City	8.4%
Wellington City	5.2%
Hamilton City	3.0%
Tauranga City	2.9%
Wellington Regional	2.7%
Hutt City	1.8%
Canterbury Regional	1.8%
Whangarei District	1.5%
Waikato Regional	1.5%
59 other council guarantors	41.3%

**As at 30 September 2022**

**Source: LGFA**

# WHAT IS THE CREDIT QUALITY OF THE LENDING BOOK?

- ❑ 89.5% of LGFA loans to councils and CCOs with credit ratings.
- ❑ 84.3% of LGFA loans to AA- rated (or better) councils and CCOs.
- ❑ Average credit quality is slightly below AA.
- ❑ Improving trend in underlying credit quality of council sector over the past seven years.
  - 6 councils recently upgraded to AA+ and 1 council downgraded to A+
  - 1 council on positive outlook = NZ\$2.19 billion (14.3% loan book)
  - 4 councils on negative outlook = NZ\$673 million (4.5% loan book)
- ❑ Not all councils and CCOs have credit ratings due to cost of obtaining a rating vs benefits.
  - Average total lending to unrated councils and CCOs is NZ\$30 million per council
  - NZ\$50 million of debt is approximate breakeven for a council to obtain a credit rating
- ❑ LGFA undertakes detailed credit analysis of all member councils and CCOs separate to the external credit rating process performed by S&P, Fitch and Moody's.
- ❑ Unrated councils are assessed by LGFA as having, in general, better credit quality than those councils with credit ratings.

External Credit Rating (S&P, Fitch)	Lending (NZ\$ millions)	Lending (%)	Number of Councils and CCOs
AA+	\$2,749	18.5%	11
AA	\$5,805	39.1%	13
AA-	\$3,945	26.6%	7
A+	\$776	5.2%	2
Unrated	\$1,559	10.5%	44
<b>Total</b>	<b>\$14,834</b>	<b>100%</b>	<b>77</b>

As at 30 September 2022

Source: LGFA

**Note: Two member councils have yet to borrow from LGFA (includes long and short term lending)**

# LGFA FINANCIAL COVENANTS – MEMBER COUNCIL OUTCOMES FOR JUNE 2021 YEAR

## LGFA Financial Covenants – Councils as at 30 June 2021 with an external credit rating (31)

Foundation Policy Covenant	Net Debt / Total Revenue <300% <sup>1</sup>	Net Interest / Total Revenue <20%	Net Interest / Rates <30%
Range of councils' compliance	-155.6% to 206.0%	-15.9% to 7.8%	-35.7% to 12.7%

<sup>1</sup>Reflects the then current alternative Net Debt/Total Revenue covenant that applied for councils with a long-term credit rating of 'A' equivalent or higher.

## LGFA Financial Covenants – Councils as at 30 June 2021 without an external credit rating (36)

Lending Policy Covenant	Net Debt / Total Revenue <175%	Net Interest / Total Revenue <20%	Net Interest / Rates <25%
Range of councils' compliance	-122.4% to 123.0%	-1.1% to 3.3%	-2.0% to 5.7%

- Note some negative outcomes due to some councils having negative Net Debt i.e. financial assets and investments > borrowings.
- LGFA councils operating within financial covenants.
- Ranges highlight the differences between councils.
- Sufficient financial headroom for all councils.
- Improvement from 2013 for most councils
  - Revenue increased
  - Interest rates lower
  - Capex and debt constrained

Source: LGFA using data from individual council annual reports for the financial year ending 30 June 2021

# PERFORMANCE UNDER LGFA COVENANTS

LGFA councils with external credit rating (31 in 2021, 30 in 2020, 29 in 2019, 26 in 2018, 23 in 2017, 22 in 2016, 20 in 2015 and 17 in both 2014 and 2013)

Financial Covenant	2021	2020	2019	2018	2017	2016	2015	2014	2013
Net Debt to Revenue	81.7%	77.0%	68.8%	76.0%	86.0%	87.9%	96.4%	104.7%	111.8%
Net Interest to Revenue	2.8%	3.8%	3.5%	4.0%	5.3%	6.1%	6.8%	6.6%	7.3%
Net Interest to Rates	4.2%	6.0%	5.5%	6.1%	8.1%	9.1%	10.0%	9.6%	11.1%

LGFA unrated councils (36 in 2021, 35 in 2020, 34 in 2019, 29 in 2018, 29 in 2017, 28 in 2016, 25 in 2015, 26 in 2014 and 21 in 2013)

Financial Covenant	2021	2020	2019	2018	2017	2016	2015	2014	2013
Net Debt to Revenue	19.5%	27.5%	30.0%	32.3%	29.9%	32.4%	38.2%	42.6%	52.5%
Net Interest to Revenue	1.2%	1.6%	1.7%	1.9%	5.3%	6.1%	6.8%	6.6%	7.3%
Net Interest to Rates	2.1%	2.7%	2.8%	2.9%	8.1%	9.1%	10.0%	9.6%	11.1%

Calculated by simple average of councils in each group that have borrowed from LGFA as at 30 June for each year  
Source: LGFA using data from individual council annual reports as at 30 June for each year

LGFA’s policy to minimise financial risks and carefully identify, manage and control all risk.

## ❑ Market Risk

- PDH limit of NZ\$100,000 – current exposure (as at 30 September 2022) NZ\$65,584
- VAR limit of NZ\$1,000,000 – current exposure (as at 30 September 2022) NZ\$441,724

## ❑ Credit Risk

All councils that borrow from LGFA are obliged to:

- Provide security in relation to their borrowing from LGFA and related obligations
- Issue securities (bonds/FRNs/CP) to LGFA
- Comply with their own internal borrowing policies
- Comply with the LGFA financial covenants within either the Lending Policy or Foundation Policy

Auckland Council is limited to a maximum of 40% of LGFA’s total Local Authority assets.

All CCOs that borrow from LGFA are obliged to comply with requirements set by the LGFA Board.

## ❑ Liquidity and Funding Risk

Cash and Investments

- LGFA manages liquidity risk by holding cash and a portfolio of liquid assets to meet obligations (including any collateral required to be posted under its swaps) when they fall due
- Only invest in NZD senior debt securities, money market deposits and registered certificates of deposits within strict counterparty limits

NZ Government liquidity facility

- The New Zealand Government provides a committed liquidity facility up to NZ\$1.5 billion that LGFA can draw upon to meet any exceptional and temporary liquidity shortfall
- Facility size is set by LGFA at NZ\$1.3 billion (as at 30 September 2022).

Collateral posting

- Under LGFA's swaps with NZDM, there was an unrealised mtm valuation loss of \$1.297 billion as at 30 September 2022. However, LGFA is, in summary, only required to post collateral to NZDM under its swaps to the extent the valuation loss exceeds the facility size of the NZ Government liquidity facility.

Financial covenant	Lending policy covenants	Foundation policy covenants
Net Debt / Total Revenue	<175%	<280% <sup>1</sup>
Net Interest / Total Revenue	<20%	<20%
Net Interest / Annual Rates Income	<25%	<30%
Liquidity	>110%	>110%

<sup>1</sup> There is an alternative Net Debt / Total Revenue foundation policy covenant for councils with a long-term credit rating of 'A' equivalent or higher.

Liquidity position as at 30 September 2022 <sup>2</sup>	NZ\$ million
Cash and cash equivalents	\$119.04
Deposits and Marketable Securities	\$1,197.86
<b>Total</b>	<b>\$1,316.90</b>

<sup>2</sup> Excludes liquid assets to support council standby facilities

## ❑ S&P Global Ratings – March 2022

Local Currency AAA / Stable / A-1+ Foreign Currency AA+ / Stable / A-1+

### Strengths:

- dominant market position as source of funding for New Zealand local government;
- high credit quality of underlying lending;
- extremely strong likelihood of support from the New Zealand Government in a stress scenario;
- robust risk management and experienced management and governance.

### Weaknesses:

- highly concentrated loan portfolio;
- modest risk adjusted capital ratio.



## ❑ Fitch Ratings - September 2022

Local Currency AA+ / Stable/ F1+ Foreign currency rating AA+ / Stable / F1+

Long-term foreign-currency Issuer Default Rating was upgraded to AA+ on 16 September 2022

### Fitch notes:

- strong links to the sovereign – classified as a credit linked Public Sector Entity;
- deemed to be of strategic importance;
- sound underlying asset quality of its shareholders, local councils;
- long-term rating is capped by the ratings of the sovereign;
- support of a joint and several liability guarantee.

Rating Agency	Domestic Currency	Foreign Currency	Date of Report
	AAA	AA+	03 March 2022
	AA+ (stable outlook)	AA+ (stable outlook)	16 September 2022

Source: S&P Global Ratings, Fitch Ratings, LGFA

Important Notice and Disclaimer  
Local Government Sector Update

LGFA Update

# LGFA Debt Market Activity and Consideration of Bond Offer

Appendices

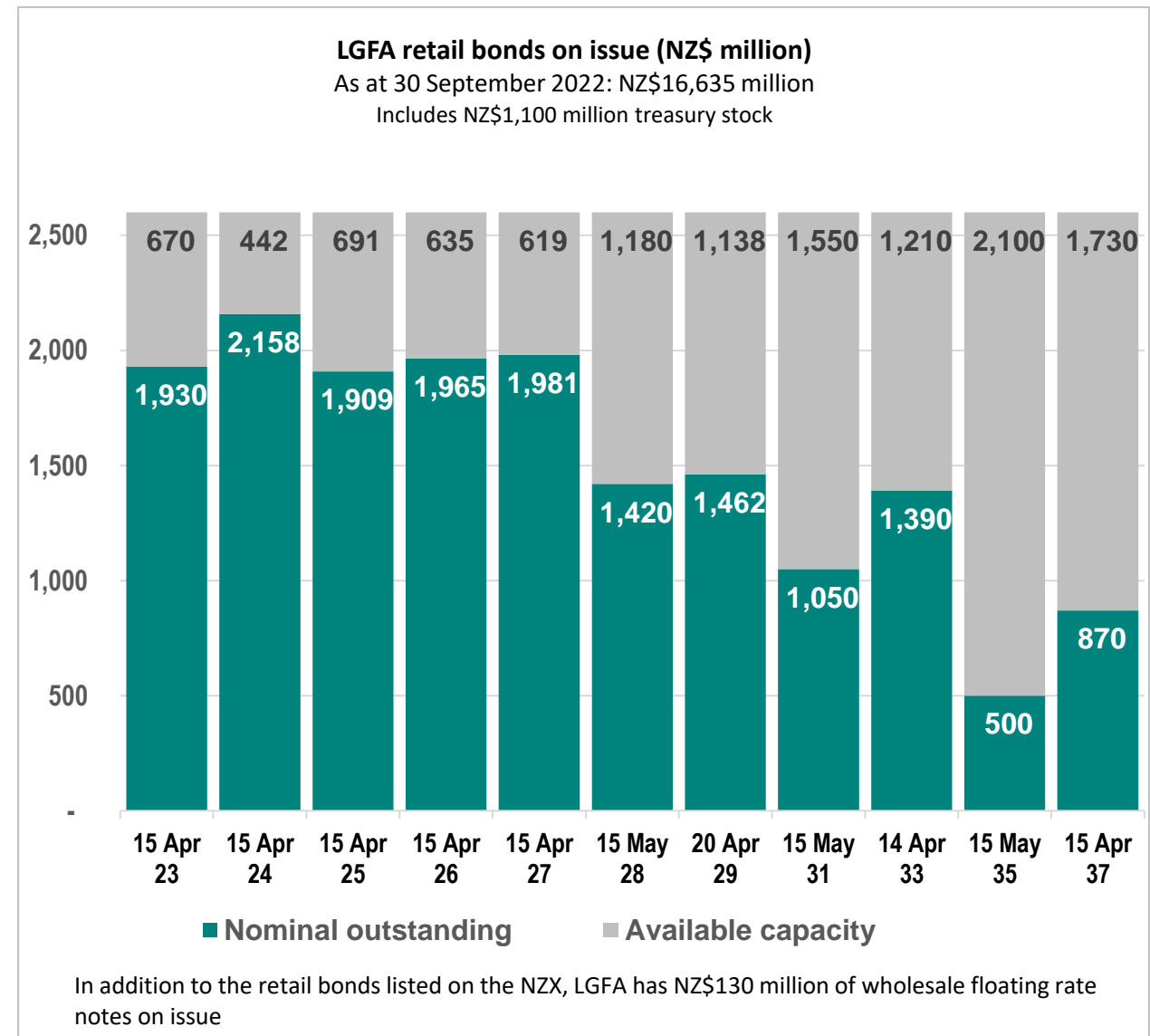


## Issuance Strategy

- ❑ Match NZ Government Bond where possible
  - Maturities, Tenders, AIL paid on behalf of offshore holders
- ❑ Issuance of non NZGB maturity where no NZGB maturity in calendar year (April 2022 and May 2035).
- ❑ Issuance of new lines by syndications and issuance of existing lines via both auctions and syndication taps.
- ❑ Liquidity important – objective of more than NZ\$1 billion per series and soft cap of NZ\$2.5 billion per series (excluding Treasury Stock).
- ❑ NZD issuance only to date.
- ❑ All LGFA bonds listed on NZX.
- ❑ Objective to target tender issuance every five weeks of NZ\$150 million to NZ\$200 million in size and at least three maturities tendered.

	Forecast Gross Council & CCO Borrowing	Forecast Net Council & CCO Borrowing	Forecast Gross LGFA Bond Issuance	Forecast Net LGFA Bond Issuance
2022-23	\$2.95 billion	\$1.08 billion	NZ\$2.91 billion	NZ\$1.08 billion
2023-24	\$2.78 billion	\$0.99 billion	NZ\$2.93 billion	NZ\$0.75 billion
2024-25	\$2.70 billion	\$0.66 billion	NZ\$2.80 billion	NZ\$0.79 billion

Source: LGFA forecasts as at 30 September 2022





# LGFA RETAIL BOND ISSUANCE – HISTORY BY JUNE FINANCIAL YEAR (NZ\$ millions)

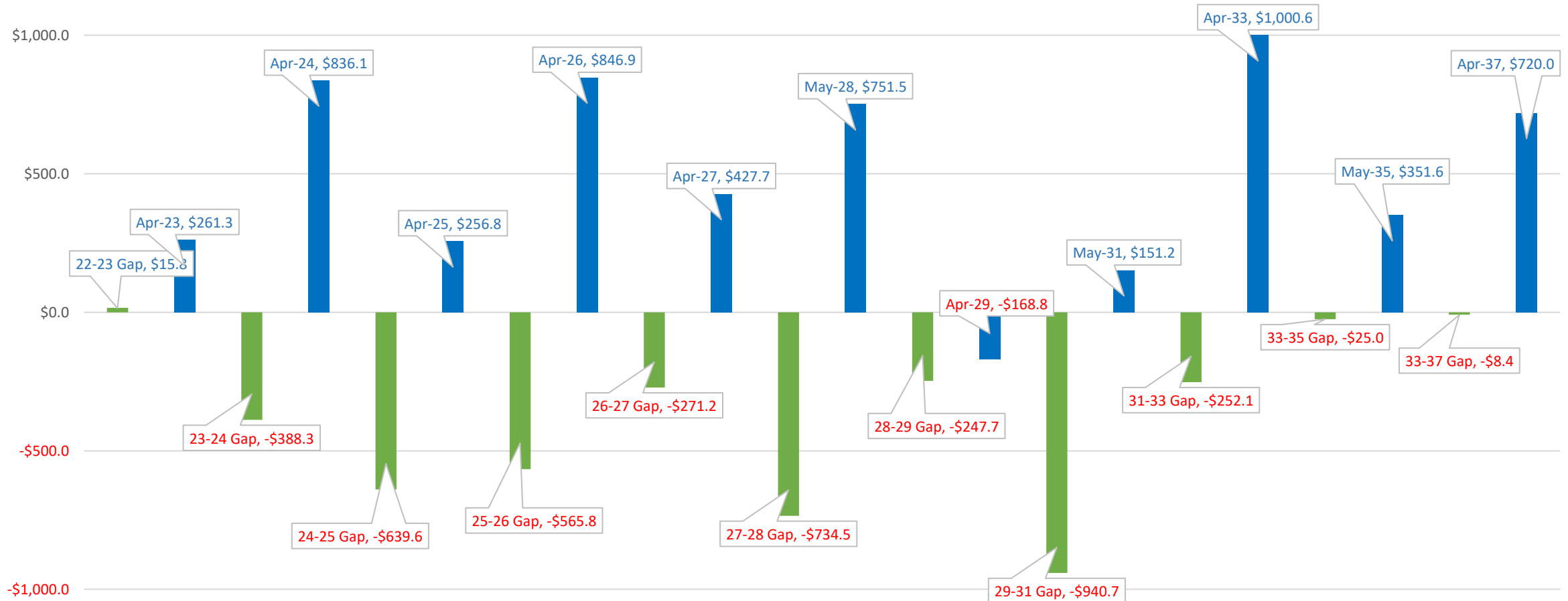
Maturity	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
15-Apr-15	155	10	75									
15-Dec-17	605	245	110	55								
15-Mar-19	75	900	95	40	70	20	40					
15-Apr-20				365	200	190	225					
15-May-21		445	625	100	150	30	70	30				
14-Apr-22							270	440	445	450		
15-Apr-23			355	655	275	65	79	21	100	110	170	
15-Apr-24								950	298	280	470	60
15-Apr-25					100	560	309	410	30	60	150	130
15-Apr-26									1,000	240	635	50
15-Apr-27				285	470	205	96	220	50	160	265	130
15-May-28											1270	50
20-Apr-29									692	480	190	
15-May-31										650	200	100
14-Apr-33						215	140	385	290	140	120	
15-May-35											400	
15-Apr-37										700	30	40
<b>Total Volume (NZ\$ million)</b>	<b>835</b>	<b>1600</b>	<b>1260</b>	<b>1500</b>	<b>1265</b>	<b>1285</b>	<b>1229</b>	<b>2456</b>	<b>2905</b>	<b>3270</b>	<b>3900</b>	<b>560</b>
<b>Average Bond Tender Size (NZ\$ million)</b>	<b>209</b>	<b>182</b>	<b>153</b>	<b>188</b>	<b>141</b>	<b>143</b>	<b>137</b>	<b>188</b>	<b>191</b>	<b>195</b>	<b>188</b>	<b>187</b>
<b>Average Issuance Term (years)</b>	<b>5.34</b>	<b>6.57</b>	<b>7.04</b>	<b>7.92</b>	<b>8.10</b>	<b>8.28</b>	<b>6.07</b>	<b>6.62</b>	<b>6.74</b>	<b>8.67</b>	<b>6.22</b>	<b>5.36</b>

- ❑ Typically a new bond maturity each year.
- ❑ Historically, annual issuance volume NZ\$1.2 billion to NZ\$1.6 billion from 2012-13 until 2017-18.

Note: in addition to the retail bonds listed on the NZX, LGFA has NZ\$130 million of wholesale floating rate notes on issue not included in this table.

As at 30 September 2022

# ASSET LIABILITY MISMATCHES



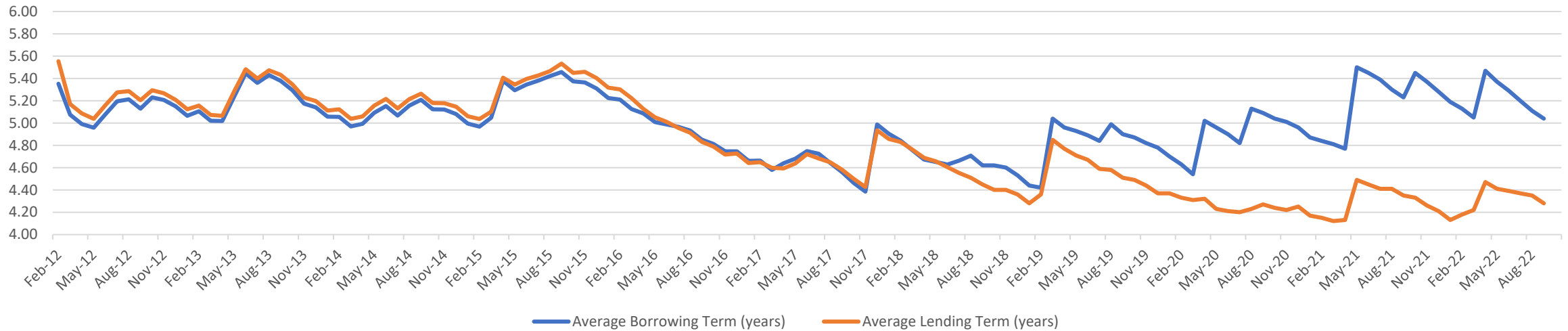
The asset liability mismatch is the difference between LGFA bonds issued and loans to councils for each date or period. The positive outcomes show more LGFA bonds have been issued than loans made to councils for that date or period. The negative outcomes show loans made to councils with maturity dates between LGFA bond maturities.

**NZ\$ millions**  
**As at 30 September 2022**

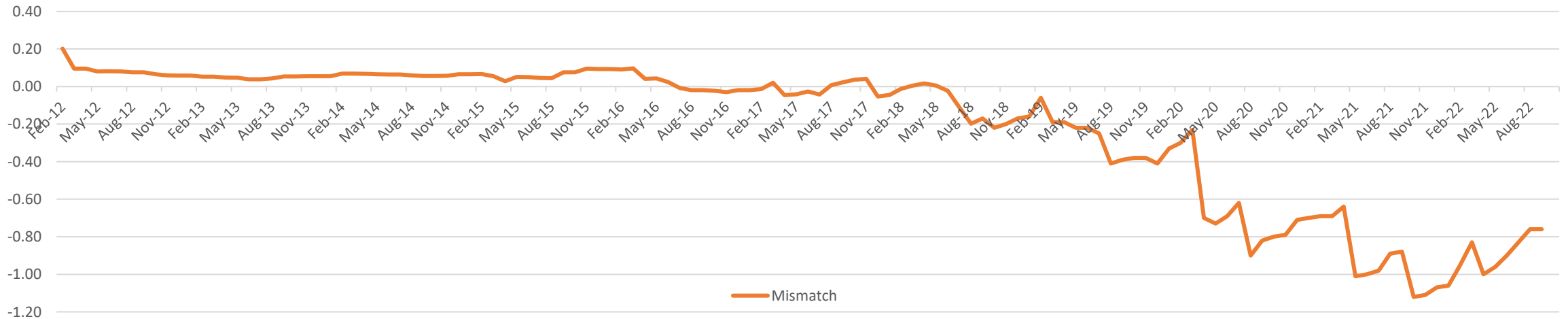
**Source: LGFA** 26

# MISMATCH BETWEEN LGFA BONDS AND LOANS

**Average term of LGFA bonds outstanding and on-lending (years)**

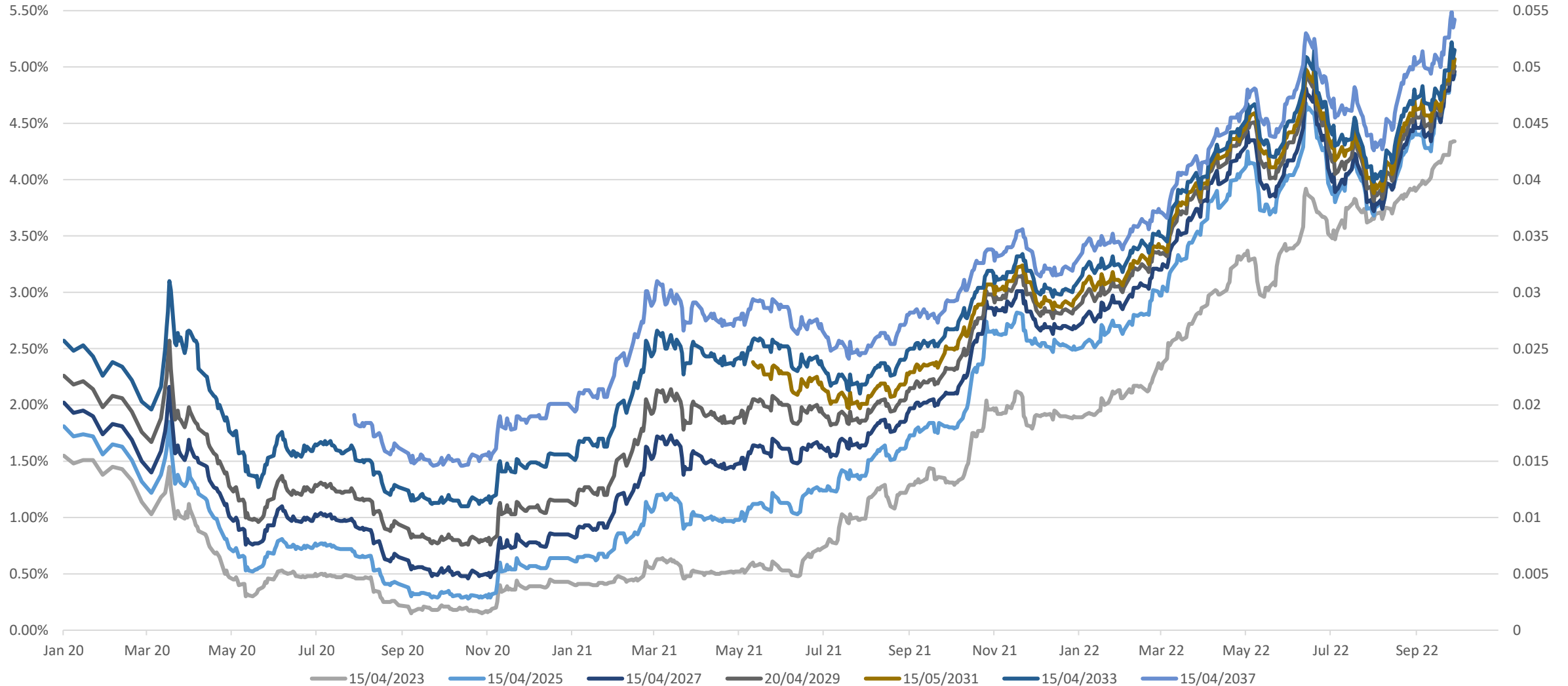


**Mismatch between average term of LGFA bonds outstanding and on-lending (years)**



Negative = longer term of bond issuance than on-lending

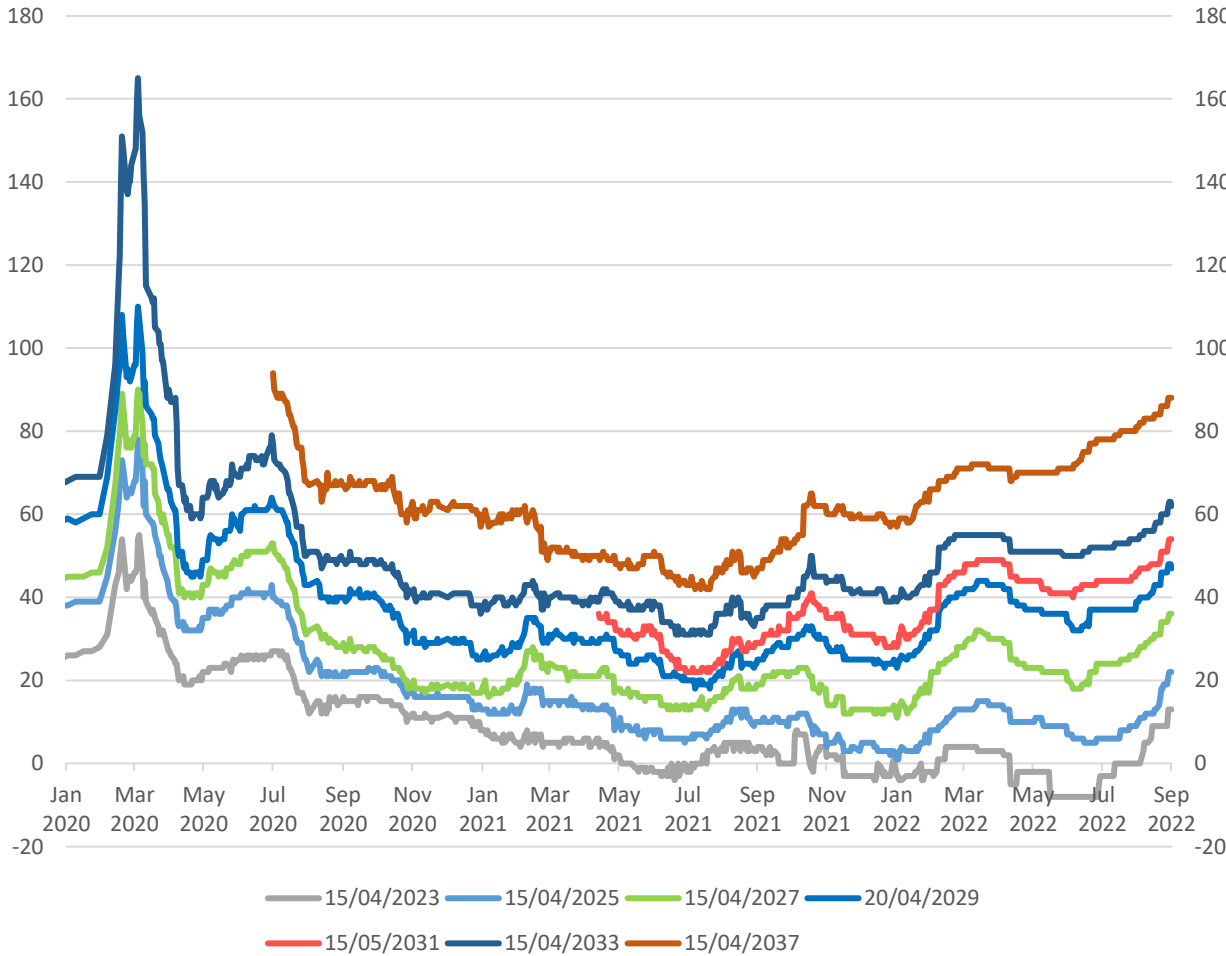
# LGFA BOND YIELDS IN SECONDARY MARKET



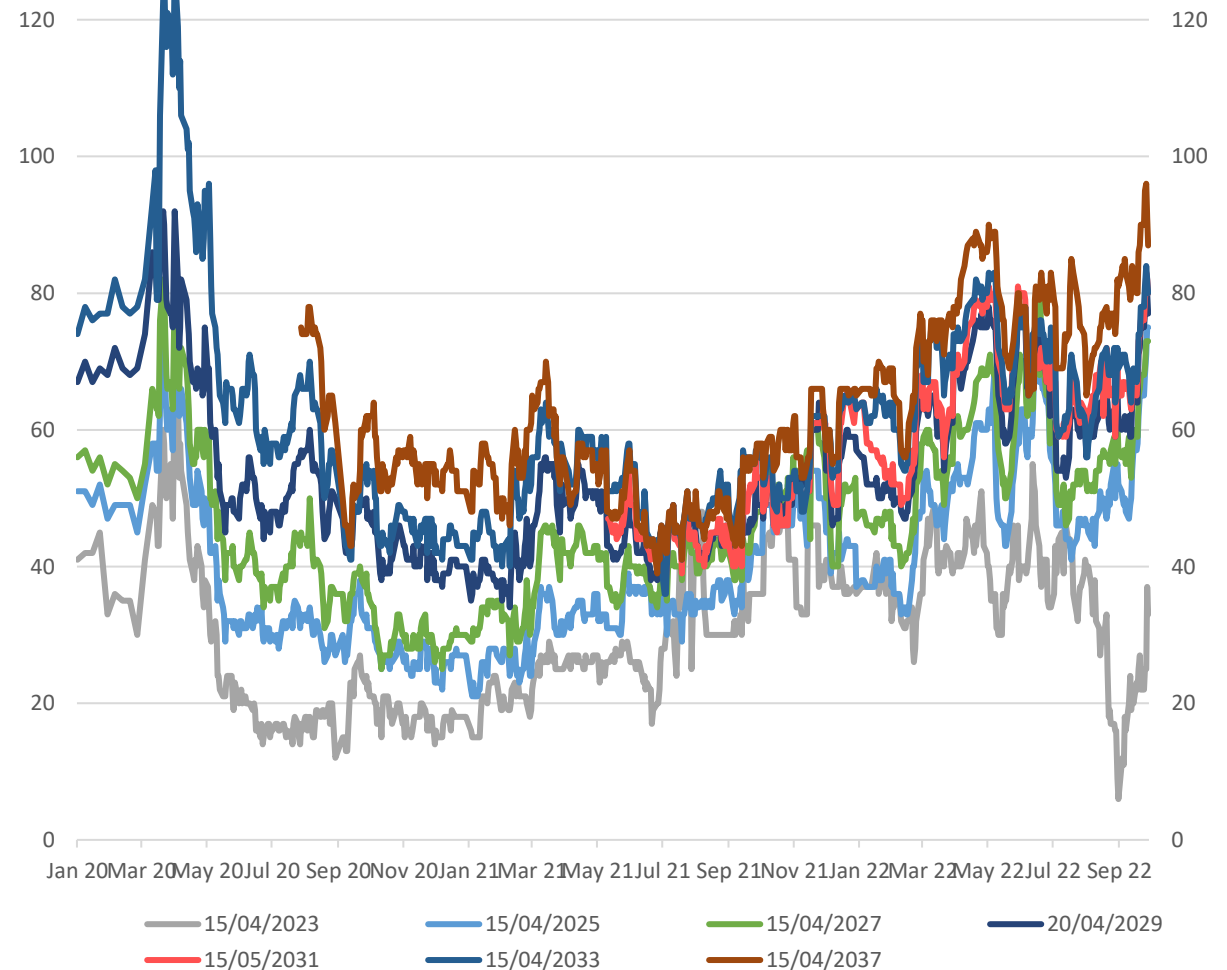
Source: LGFA secondary market end of day with yields sourced from Banks and Bloomberg

# LGFA BOND SPREADS IN SECONDARY MARKET

LGFA Spreads to Swap (bps)

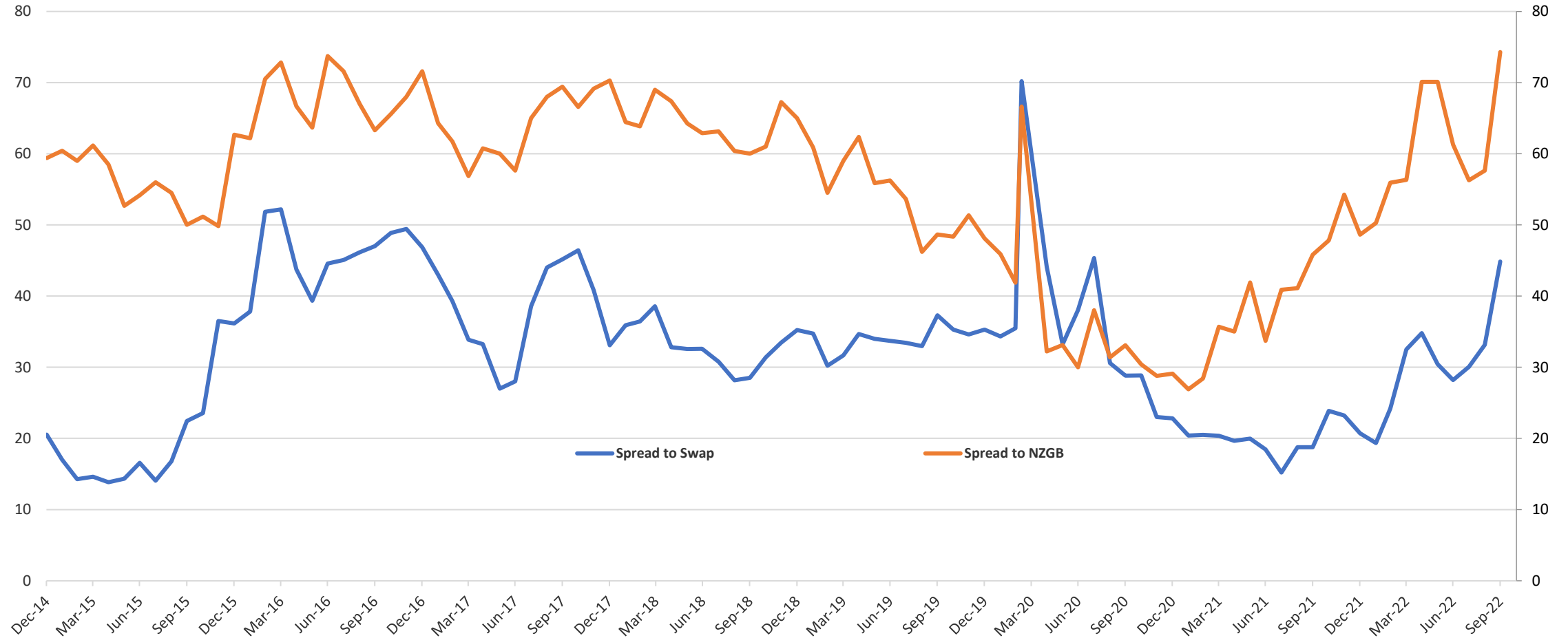


LGFA Spreads to NZGB (bps)



Source: LGFA secondary market end of day with spreads sourced from BNZ and Bloomberg

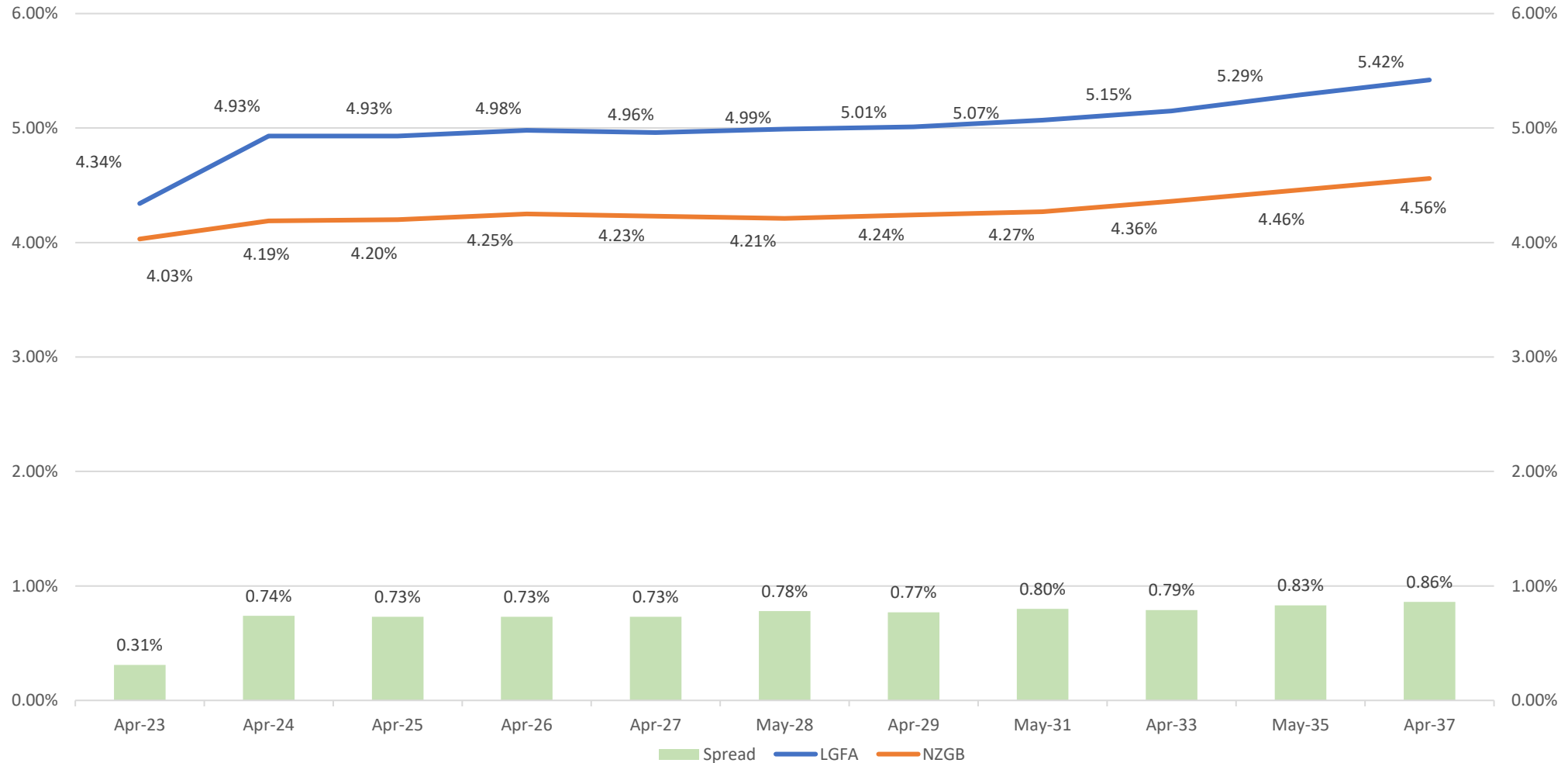
# LGFA SPREADS TO NZGB AND SWAP (bps)



Secondary market levels as at end of each month taken from end of month closing rate sheets published by NZ banks  
Simple average of existing LGFA bond maturities

Source: LGFA

Secondary Market Yields and LGFA Spread to NZGB as at 30 September 2022

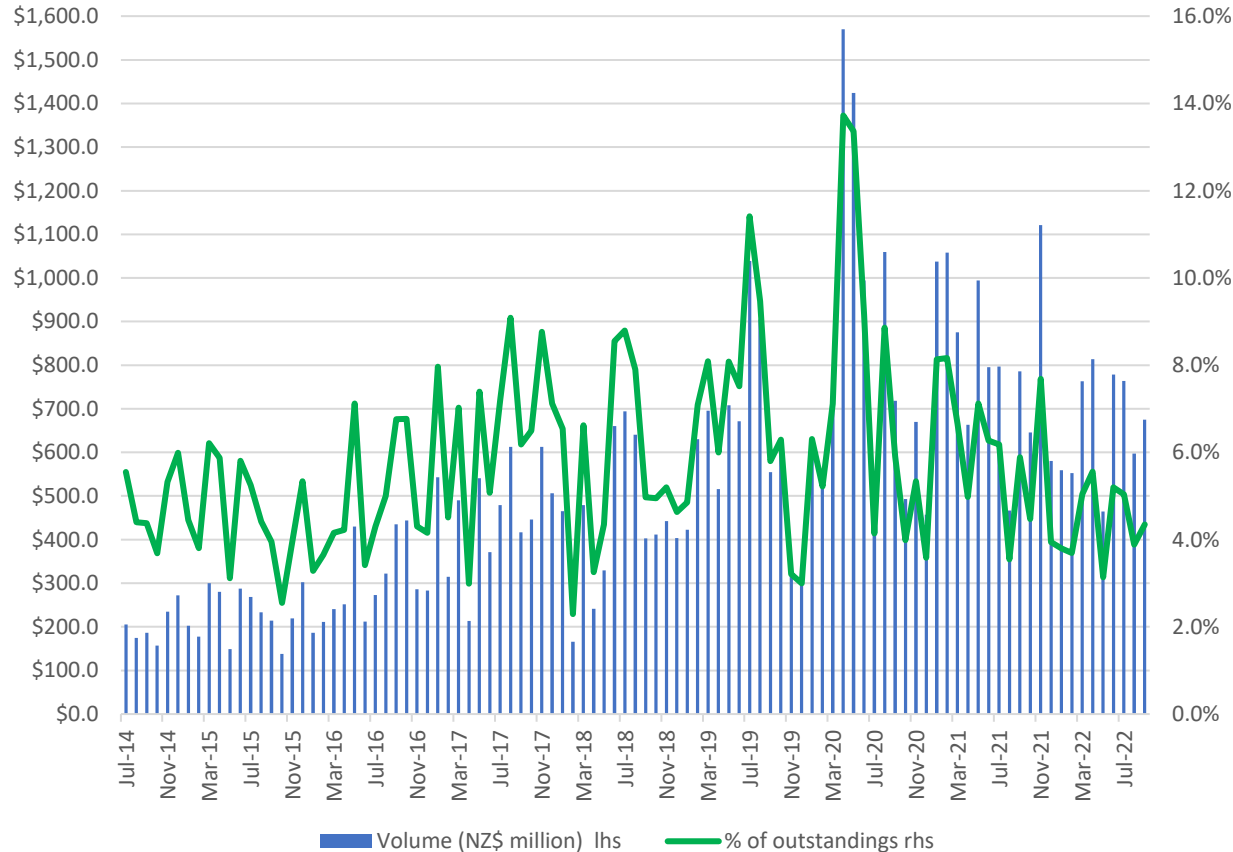


NZLGFA Curve on Bloomberg: GC I737

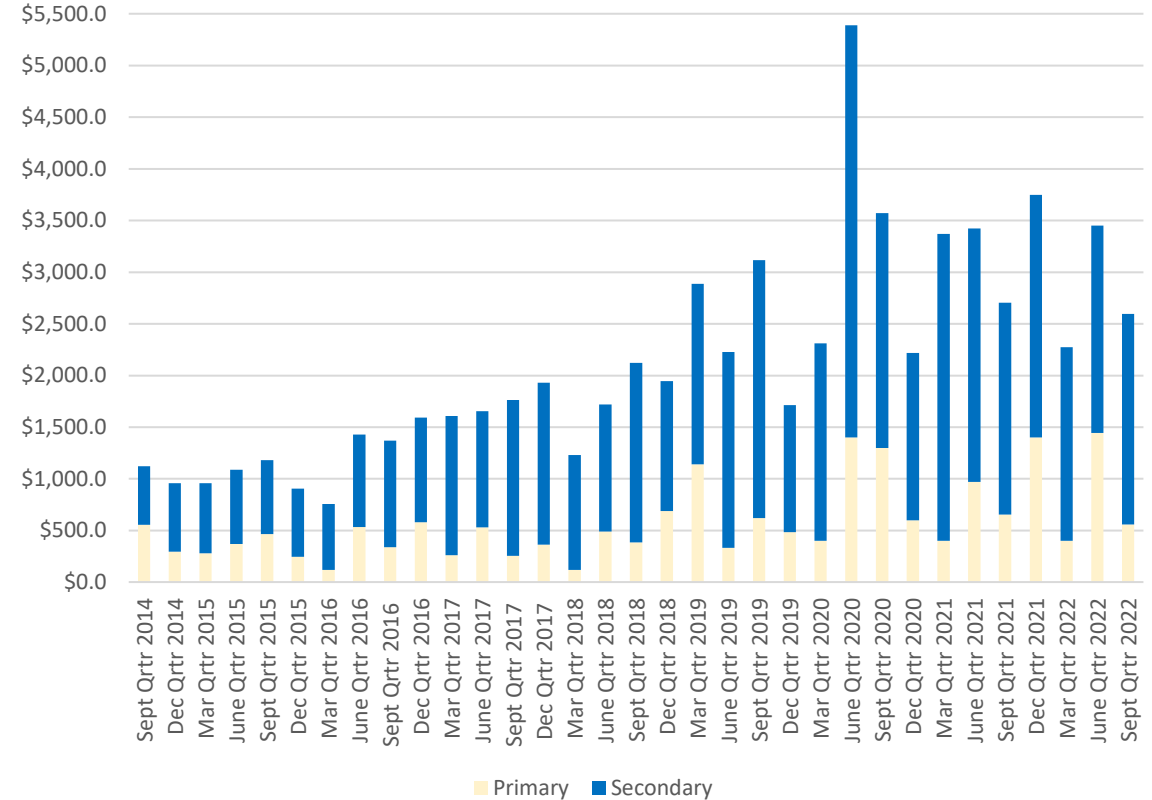
Source: LGFA

# PRIMARY AND SECONDARY MARKET ACTIVITY

Secondary Market Turnover - Monthly (NZ\$ million)



LGFA Primary and Secondary Market Activity - Quarterly (NZ\$ million)

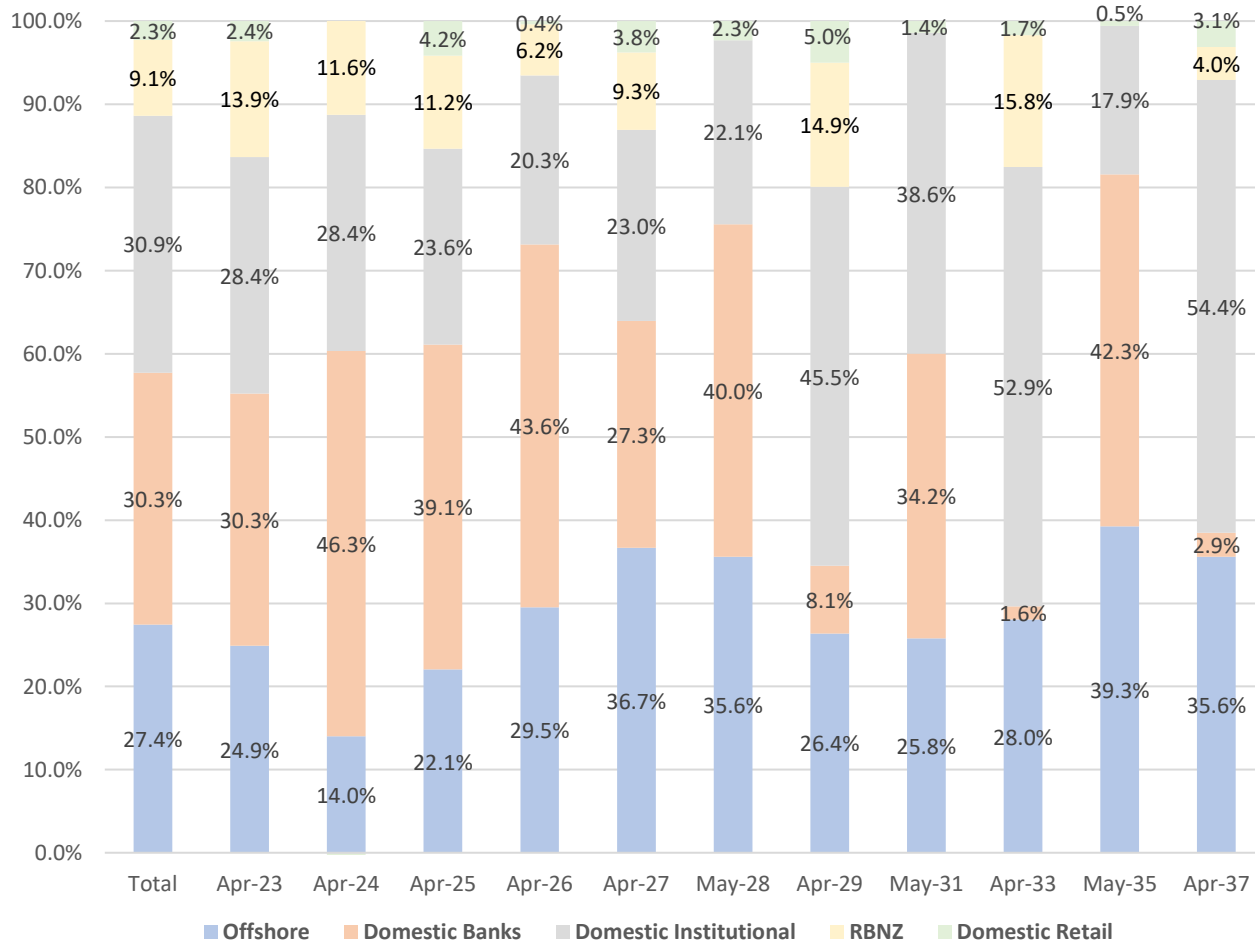


**Note: LGFA analysis of change in investor holdings at Computershare registry. Buy side only, does not capture intra day activity or tender activity. Activity in LGFA bonds excluded six months prior to maturity.**

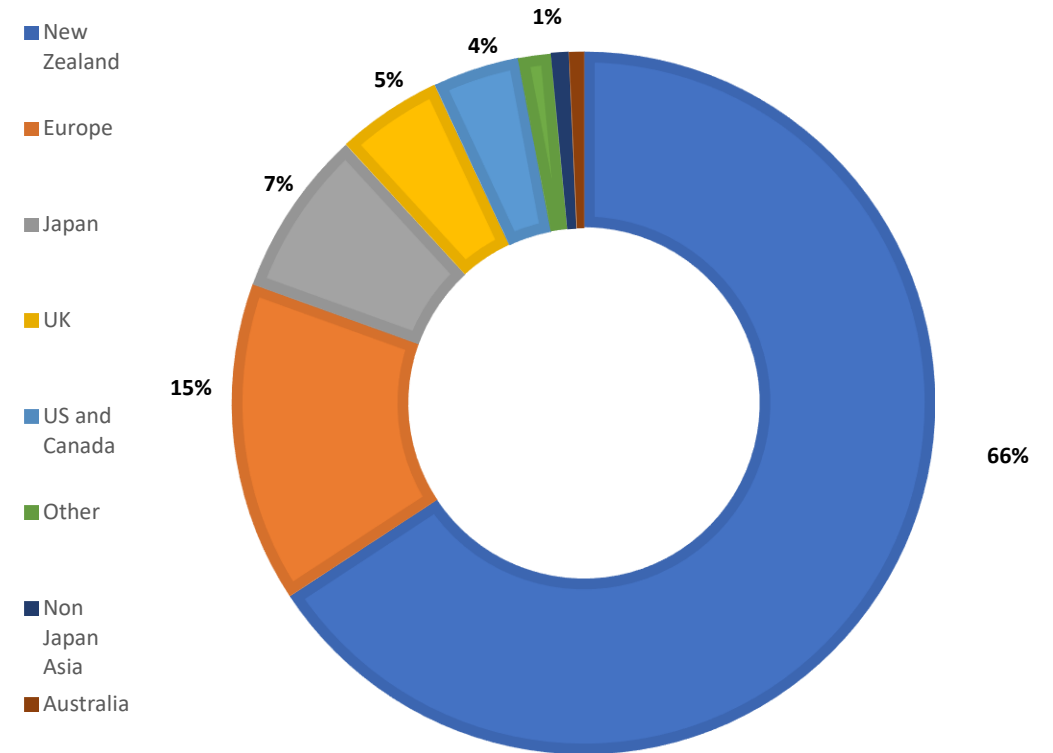


# WHO HOLDS LGFA BONDS?

Holdings of LGFA Bonds by Investor Group as at 30 September 2022



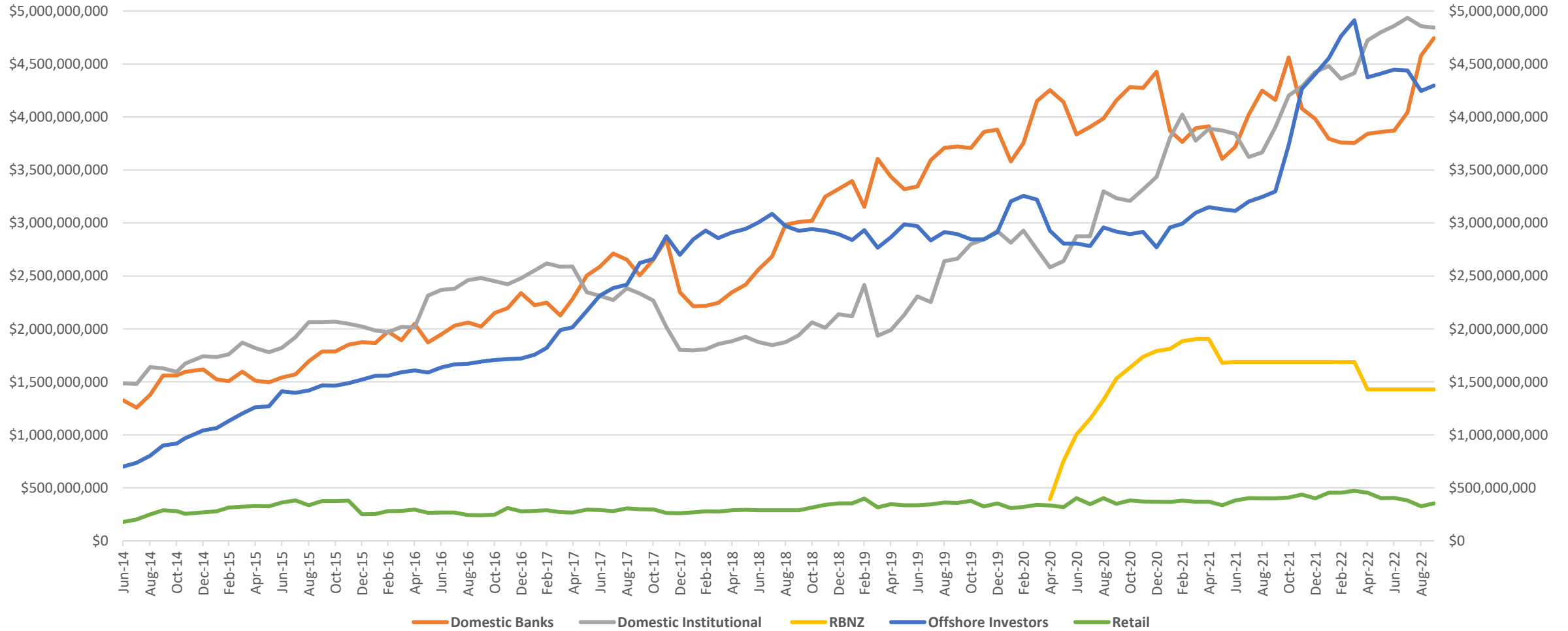
LGFA Bond Holders by Country of Residence as at 31 March 2022



Source: LGFA

# LGFA INVESTOR HOLDINGS OVER TIME (NZ\$ AMOUNTS)

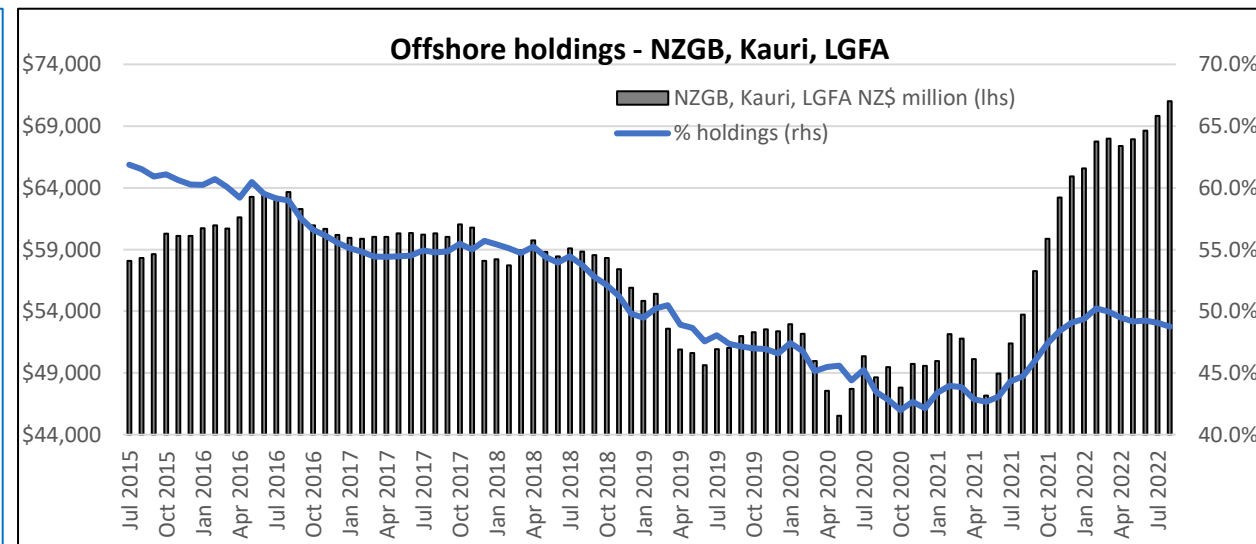
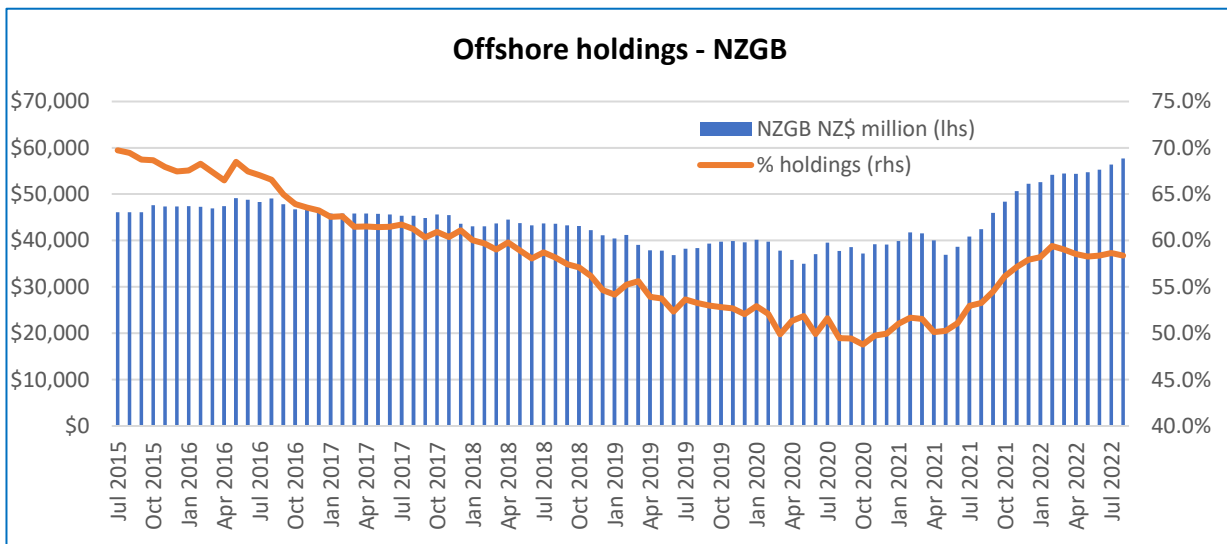
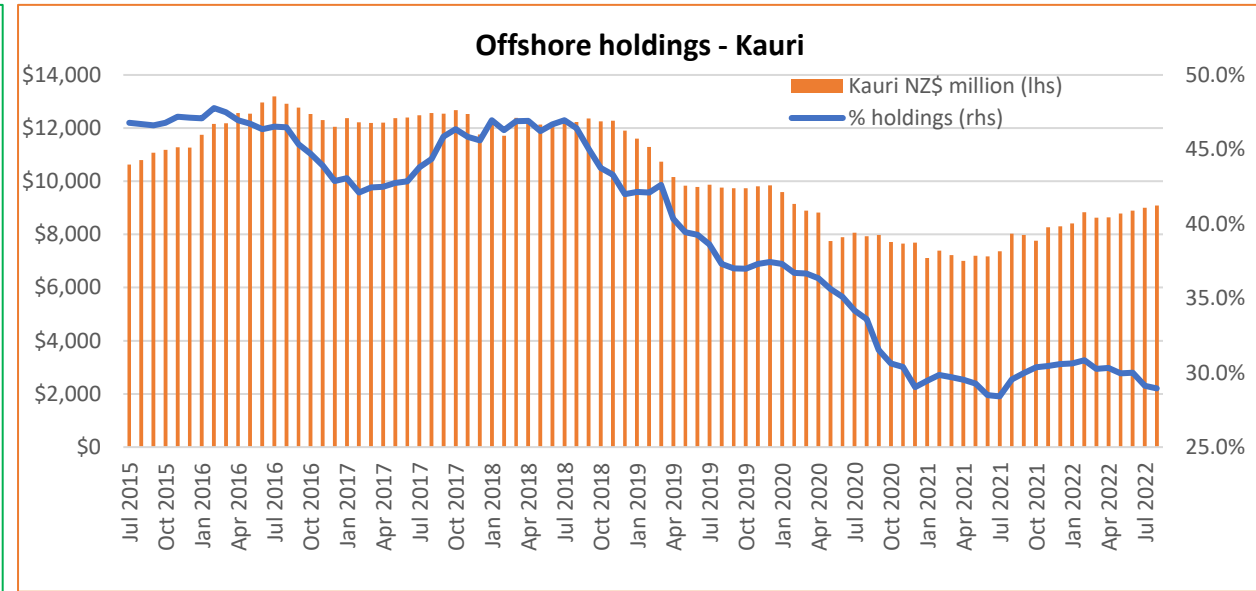
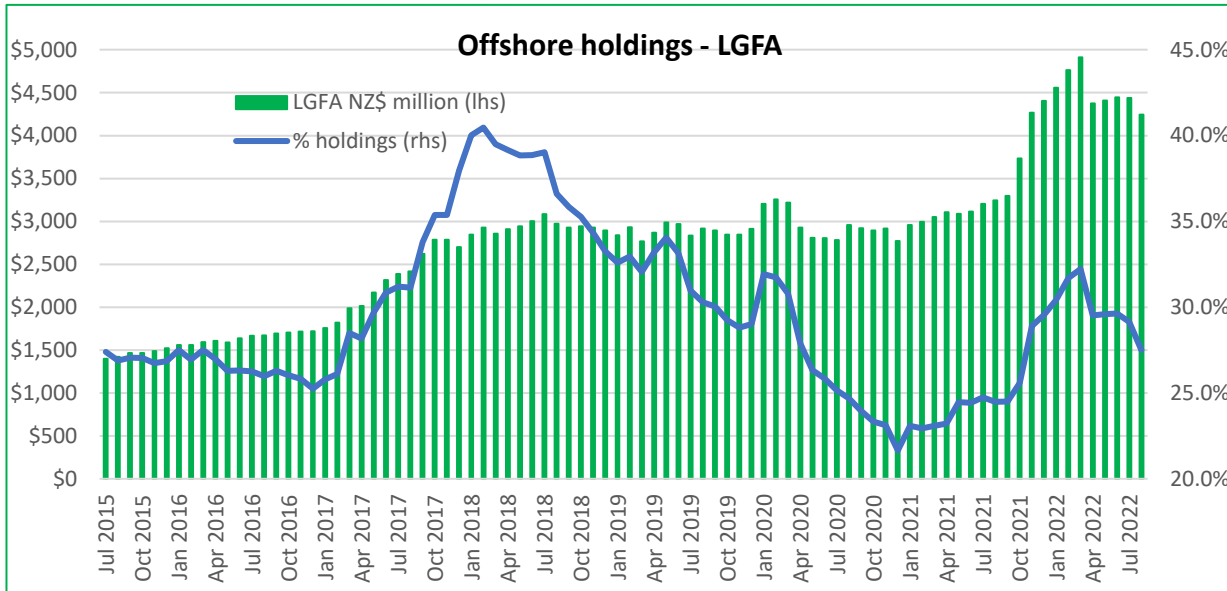
LGFA Bond Holdings by Investor Group



Source: LGFA



# OFFSHORE HOLDINGS – NZGB, KAURI AND LGFA



- ❑ On 10 October 2022, LGFA announced that it is considering, subject to market conditions, offering one or more existing series of
  - unsecured, unsubordinated fixed rate bonds maturing on 15 April 2025.
  - unsecured, unsubordinated fixed rate bonds maturing on 20 April 2029.
- ❑ It is anticipated that full details of any relevant offer(s) will be released when the relevant offer(s) are expected to open.
- ❑ If LGFA offers any Bonds, the offer will be made in accordance with the Financial Markets Conduct Act 2013 as an offer of debt securities of the same class as existing quoted debt securities.
- ❑ The Bonds will be quoted on the NZX Debt Market.
- ❑ Appointment of four banks
  - ❑ BNZ (Arranger and JLM).
  - ❑ ANZ, CBA and Westpac (JLM).
- ❑ If LGFA proceeds with the offer(s) then LGFA would cancel the proposed bond tender #94 on Wednesday 12 October 2022.
- ❑ Considerations
  - Market conditions.
  - Investor demand.
  - Council and CCO borrowing appetite for volume and tenor.

2022-2023 Bond Tender and Settlement Dates			
Tender #	Announcement Date	Tender Date	Settlement Date
94	Monday, 10 October 2022	Wednesday, 12 October 2022	Monday, 17 October 2022
95	Monday, 7 November 2022	Wednesday, 9 November 2022	Monday, 14 November 2022
96	Monday, 12 December 2022	Wednesday, 14 December 2022	Monday, 19 December 2022
97	Monday, 30 January 2023	Wednesday, 1 February 2023	Tuesday, 7 February 2023
98	Monday, 27 February 2023	Wednesday, 1 March 2023	Monday, 6 March 2023
99	Tuesday, 11 April 2023	Wednesday, 12 April 2023	Monday, 17 April 2023
100	Monday, 8 May 2023	Wednesday, 10 May 2023	Monday, 15 May 2023
101	Tuesday, 6 June 2023	Wednesday, 7 June 2023	Monday, 12 June 2023

**No money is currently being sought and applications for the Bonds cannot currently be made.**

# Questions

Important Notice and Disclaimer

Local Government Sector Update

LGFA Update

LGFA Debt Market Activity and Consideration of Bond Offer

**Appendices**



## RANGE OF ACTIVITIES

- 78 Local Government (“council”) entities.
- Financial Management
  - “A local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region”. *Local Government Act 2002 S14.*
- Balanced budget approach – rates reset annually to balance expenditure with operating income.
- Revenue certainty through rates (property taxes) providing 66% of revenue
  - Rates not affected by level of economic activity or property market;
  - Councils have broad powers to tax (rate) properties;
    - No upper limit on rates income;
    - Rate collection ranks ahead of all other claimants including Inland Revenue Department and mortgagees.
- No defined benefit pension liabilities or welfare obligations.
- Debt used essentially to finance new assets.
- Robust planning with extensive public consultation.
- Strong institutional framework and relationship with Central Government.
- Security can be provided to lenders by councils:
  - Charge over rates and future rates income;
  - All LGFA bondholders indirectly have the benefit of a Debenture Trust Deed from each guarantor council which gives a charge over rates and future rates income. This security is shared with other council lenders.

Central Government	Mixture of Central and Local Government Funding	Local Government
Education (primary, secondary and tertiary provision)	Public transport operation (typically 53% from Central Government)	<b>Water, wastewater and storm water</b>
Public healthcare and hospitals	Rail infrastructure (negotiated)	<b>Rubbish and recycling collection and disposal</b>
Fire services	Local roads (construction, maintenance, cleaning)	<b>Street cleaning</b>
State highways	Public housing	<b>Health / Sanitation Inspections</b>
Police and corrective facilities		<b>Building inspections</b>
Pensions and welfare		<b>Public facilities (parks, recreation facilities, swimming pools, sports fields)</b>

Table Source: Auckland Council



## Assets (NZ\$ billions)

Current Assets		4.72	
Non Current Assets			
Infrastructure	99.29		
Land and Buildings	27.81		
Investments	12.61		
Other	<u>8.19</u>	<u>147.90</u>	

## Liabilities (NZ\$ billions)

Debt	17.20		
Non-Equity Liabilities	<u>5.89</u>	<u>23.09</u>	

## Net Worth (NZ\$ billions) 129.53

## Revenue (NZ\$ millions)

Taxation revenue			
Property		6,179	
Regulatory income and petrol tax		<u>864</u>	7,043
Sales and other operating income			1,787
Interest and dividend income			1,034
Current grants and subsidies			<u>1,225</u>
<b>Total Operating Income</b>			<b>11,089</b>

## Expenses (NZ\$ millions)

Employee expenses			2,465
Depreciation			2,248
Purchases of goods and services			4,272
Interest expense			832
Current grants and subsidies			<u>1,248</u>
<b>Total Operating Expenses</b>			<b>11,064</b>

## Net Operating Balance (NZ\$ millions) 25

The amounts in this slide have been extracted from the Local Authority Financial Statistics database managed by Statistics New Zealand – calculated as at June 2019 and for the June 2018-19 year. The data comprises the seventy-eight councils that make up the New Zealand Local Government sector.

# LGFA MEMBERS AS AT 30 SEPTEMBER 2022

Shareholders	Total Shares (NZ\$)	Shareholding (%)	Amount borrowed (NZ\$ million)	Borrowing (%)	Share Guarantee (%)
New Zealand Government	5,000,000	11.1%			
Auckland Council	3,731,960	8.3%	3,597.0	24.2	29.6
Christchurch City Council	3,731,960	8.3%	2,118.4	14.3	8.3
Wellington City Council	3,731,958	8.3%	1,023.0	6.9	5.1
Tauranga City Council	3,731,958	8.3%	685.0	4.6	2.8
Hamilton City Council	3,731,960	8.3%	690.0	4.7	3.0
Wellington Regional Council	3,731,958	8.3%	602.0	4.1	2.7
Kapiti Coast District Council	200,000	0.4%	260.0	1.8	1.1
Hutt City Council	200,000	0.4%	265.7	1.8	1.8
Bay of Plenty Regional Council	3,731,958	8.3%	192.9	1.3	0.9
Tasman District Council	3,731,958	8.3%	239.2	1.6	1.2
Waimakariri District Council	200,000	0.4%	170.0	1.1	1.0
Hastings District Council	746,392	1.7%	258.0	1.7	1.3
Whangarei District Council	1,492,784	3.3%	192.0	1.3	1.5
Palmerston North City Council	200,000	0.4%	202.1	1.4	1.5
New Plymouth District Council	200,000	0.4%	189.5	1.3	1.5
Horowhenua District Council	200,000	0.4%	142.2	1.0	0.6
Taupo District Council	200,000	0.4%	150.0	1.0	1.0
South Taranaki District Council	200,000	0.4%	112.0	0.8	0.6
Marlborough District Council	400,000	0.9%	150.9	1.0	1.1
Whanganui District Council	200,000	0.4%	106.6	0.7	1.0
Western Bay of Plenty District Council	3,731,958	8.3%	70.0	0.5	1.1
Manawatu District Council	200,000	0.4%	89.0	0.6	0.5
Whakatane District Council	200,000	0.4%	92.0	0.6	0.7
Waipa District Council	200,000	0.4%	150.4	1.0	1.0
Gisborne District Council	200,000	0.4%	95.7	0.6	1.0
Thames-Coromandel District Council	200,000	0.4%	73.0	0.5	1.1
Masterton District Council	200,000	0.4%	55.7	0.4	0.5
Hauraki District Council	200,000	0.4%	43.0	0.3	0.5
Selwyn District Council	373,196	0.8%	85.0	0.6	1.0
Otorohanga District Council	200,000	0.4%	4.0	0.0	0.2
<b>Total</b>	<b>45,000,000</b>		<b>12,104.4</b>	<b>81.6</b>	<b>75.3</b>

Note: Total shares includes called and uncalled shares

Source: LGFA

# LGFA MEMBERS (CONTINUED) AS AT 30 SEPTEMBER 2022

Borrowers and Guarantors	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Ashburton District Council	90.7	0.6	0.6
Canterbury Regional Council	79.1	0.5	1.7
Carterton District Council	14.7	0.1	0.2
Central Otago District Council	10.1	0.1	0.5
Central Hawke's Bay District Council	26.0	0.2	0.3
Clutha District Council	37.8	0.3	0.4
Far North District Council	71.5	0.5	1.4
Gore District Council	38.6	0.3	0.3
Grey District Council	30.6	0.2	0.3
Hawke's Bay Regional Council	45.8	0.3	0.4
Hurunui District Council	42.1	0.3	0.3
Invercargill City Council	81.5	0.5	0.9
Kaipara District Council	44.0	0.3	0.6
Mackenzie District Council	10.0	0.1	0.2
Manawatu-Whanganui Regional Council	61.5	0.4	0.7
Matamata-Piako District Council	38.0	0.3	0.6
Napier City Council	0.0	0.0	1.0
Nelson City Council	150.0	1.0	1.2
Northland Regional Council	14.0	0.1	0.5
Otago Regional Council	116.1	0.8	0.4
Porirua City Council	181.5	1.2	1.1
Queenstown-Lakes District Council	356.4	2.4	1.3
Rangitikei District Council	19.0	0.1	0.3
Rotorua District Council	307.7	2.1	1.5
Ruapehu District Council	37.5	0.3	0.4
South Wairarapa District Council	26.4	0.2	0.2
Southland District Council	16.8	0.1	0.7
South Waikato District Council	39.0	0.3	0.4
Stratford District Council	32.2	0.2	0.2
Taranaki Regional Council	19.5	0.1	0.2
Tararua District Council	56.2	0.4	0.4
Timaru District Council	179.9	1.2	0.8
Upper Hutt City Council	91.0	0.6	0.7
Waimate District Council	3.5	0.0	0.2
Waitaki District Council	29.0	0.2	0.5
Waikato District Council	105.0	0.7	1.5
Waikato Regional Council	25.0	0.2	1.5
Waitomo District Council	28.1	0.2	0.3
Westland District Council	29.8	0.2	0.2
<b>Total</b>	<b>2,585.4</b>	<b>17.4</b>	<b>24.7</b>

Source: LGFA

# LGFA MEMBERS (CONTINUED) AS AT 30 SEPTEMBER 2022

Borrowers Only	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Buller District Council	20.0	0.1	Nil
Kaikoura District Council	5.3	0.0	Nil
Kawerau District Council	0.0	0.0	Nil
Opotiki District Council	7.0	0.0	Nil
Wairoa District Council	10.0	0.1	Nil
West Coast Regional Council	11.4	0.1	Nil
<b>Total</b>	<b>53.7</b>	<b>0.4</b>	<b>Nil</b>

Council Controlled Organisations	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Invercargill City Holdings Ltd	90.5	0.6	Nil
<b>Total</b>	<b>90.5</b>	<b>0.6</b>	
<b>Total Borrowing from LGFA</b>	<b>14,834.0</b>	<b>100.0</b>	<b>100</b>

# New Zealand Councils External Credit Ratings

Council	S&P	Fitch	Moody's
Ashburton District Council		AA+	
Auckland Council	AA		Aa2
Bay of Plenty Regional Council	AA		
Christchurch City Council	AA- (pos outlook)		
Dunedin City Council	AA		
Canterbury Regional Council		AA+	
Hamilton City Council	AA-		
Hastings District Council	AA		
Horowhenua District Council	AA-		
Hutt City Council	AA		
Invercargill City Council		AA+	
Kapiti Coast District Council	AA		
Marlborough District Council	AA+ (neg outlook)		
Nelson City Council	AA		
New Plymouth District Council	AA+		
Palmerston North City Council	AA		
Porirua City Council	AA		
Queenstown-Lakes District Council		AA-	
Rotorua District Council		AA-	
Selwyn District Council		AA+	
South Taranaki District Council	AA		
Tasman District Council	AA (neg outlook)		
Taupo District Council	AA+		
Tauranga City Council	A+		
Timaru District Council		AA-	
Upper Hutt City Council	A+ (neg outlook)		
Waimakariri District Council	AA		
Waikato District Council		AA+	
Waipa District Council		AA-	
Wellington City Council	AA+		
Wellington Regional Council	AA+		
Whanganui District Council	AA		
Western Bay of Plenty District Council	AA		
Whangarei District Council	AA+ (neg outlook)		

34 councils in New Zealand have credit ratings – 33 are members of LGFA.

Over the past year:

- Waikato District Council received a new credit rating of AA+.
- South Taranaki District Council was upgraded from AA- to AA.
- Horowhenua District Council was upgraded from A+ to AA-.
- Christchurch City Council outlook revised to positive.
- Kapiti Coast District, Marlborough District, Upper Hutt City Council and Whangarei District Councils outlook revised to negative.

As at 30 September 2022

Source: S&P Global Ratings, Fitch Ratings, Moody's Investor Services, LGFA

LGFA undertakes its own internal credit assessment and rating process for all member councils using most recent annual reports (June 2021)

## Primary Criteria

- Debt levels relative to population – affordability
- Debt levels relative to asset base
- Ability to repay debt
- Ability to service debt – interest cover
- Population trend

## Secondary Criteria

- 30 Year Infrastructure Strategy
  - Quality of Assets
  - Capital Expenditure Plan
- Risk Management
  - Insurance
- Governance
- Financial flexibility
- Cashflow
- Budget performance (balanced budget)
- Affordability of rates / Deprivation Index
- Natural hazards
- Group activities (CCOs)

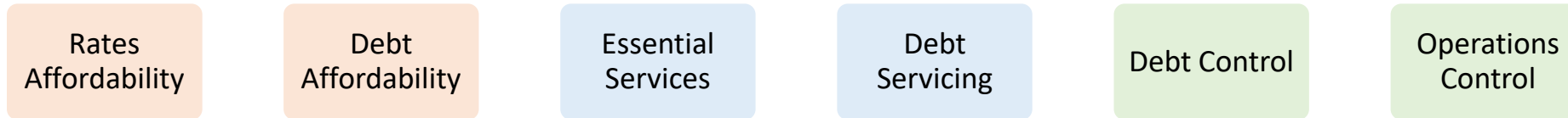
LGFA member councils by internal rating category (note some 2021 ratings are based on 2020 data)

LGFA Internal Ratings	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
AA+	1	2	2	4	4	6	7	8	9	2
AA	12	12	12	10	12	13	19	17	22	37
AA-	13	13	16	15	19	17	19	23	23	18
A+	8	6	3	11	10	12	13	10	12	12
A	6	10	11	6	6	3	4	4	5	3
A-	5	2	1	1	0	2	2	2	1	0

As at 30 June each year

Source: LGFA internal models

- ❑ Local Government Framework reduces risk of financial distress – no historical default by a council.
- ❑ Councils have own Treasury Management and borrowing policies – most have independent advice.
- ❑ Council financial oversight by Office of Auditor General (OAG), Audit NZ and Department of Internal Affairs.
- ❑ Councils under Local Government (Financial Reporting and Prudence) Regulations 2014 required to report annually on performance against benchmarks including:



- ❑ Six step intervention process possible by Central Government



- ❑ Councils required to comply with LGFA lending covenants

Annual attestation by council

LGFA credit watch-list in place

LGFA credit analysis and monitoring performed through the year

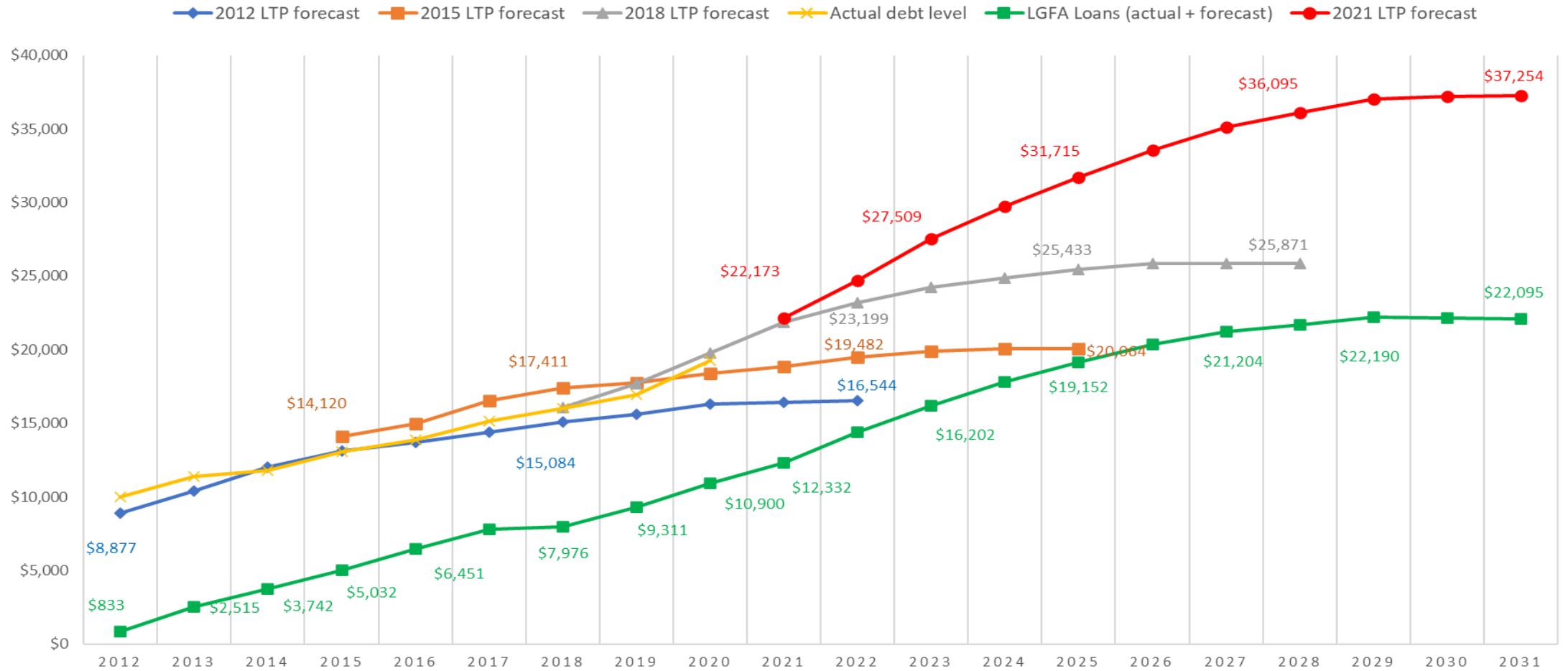
LGFA not obligated to lend to council members (except under council standby facilities provided by LGFA)

- ❑ Covenant breach in respect of securities (Bonds/FRN/CP) issued by a council is an Event of Review – after 30 days LGFA can seek repayment of loans.

- ❑ 33 LGFA member councils have external credit ratings (A+ to AA+ range).
- ❑ LGFA undertakes detailed credit analysis of each council when they apply to join LGFA (and ongoing) - not every council has been accepted as a member.
- ❑ A council default becomes a timing issue for LGFA
  - LGFA lending secured against rates revenue under Debenture Trust Deed.
  - Unlikely to be other material claimants on rates revenue given LGFA is the dominant lender to councils.
  - Council's Debenture Trustee appoints receiver and a special rate (property tax) levied on all properties in the council region to meet secured obligations when due.
  - Rates (property taxes) unavoidable and first ranking claim over property.
- ❑ Sources of LGFA liquidity and additional capital
  - NZ\$1.5 billion liquidity facility from NZ Government
  - Liquid Assets Portfolio
  - Issuance of additional LGFA Bills and Bonds
  - Conversion of Borrower Notes into equity
  - Uncalled capital of NZ\$20 million
- ❑ Beneficiaries of the council guarantee (including LGFA bondholders) can also call upon the guarantee from councils in prescribed circumstances.
- ❑ **Central Government does not guarantee obligations of either LGFA or council members.**



## COUNCIL DEBT LEVELS - LTP FORECASTS AND ACTUAL

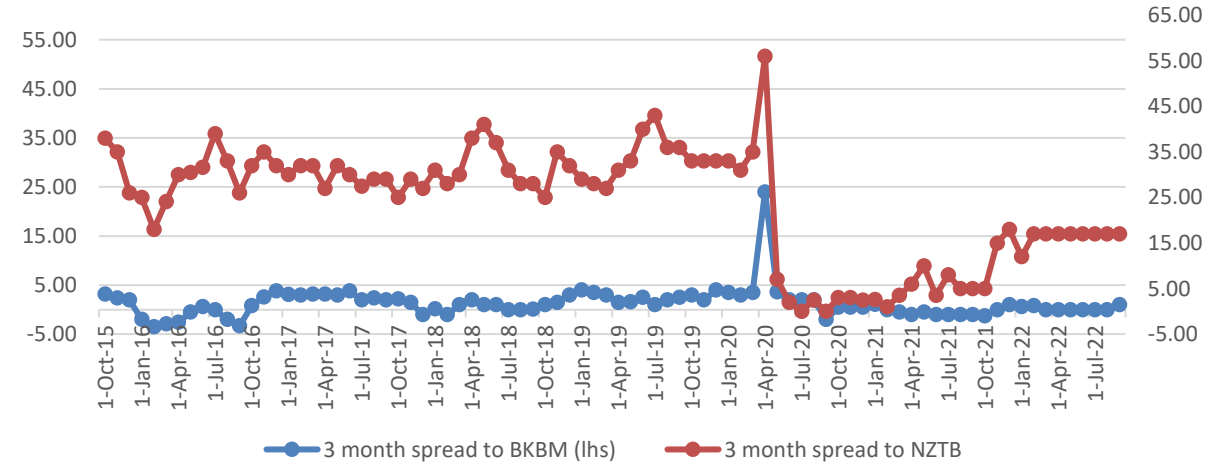


Source: LGFA with underlying data sourced from each councils' Draft Long Term Plan (LTP). LGFA assets from Annual Reports and SOI 2020-21

# LGFA BILL ISSUANCE

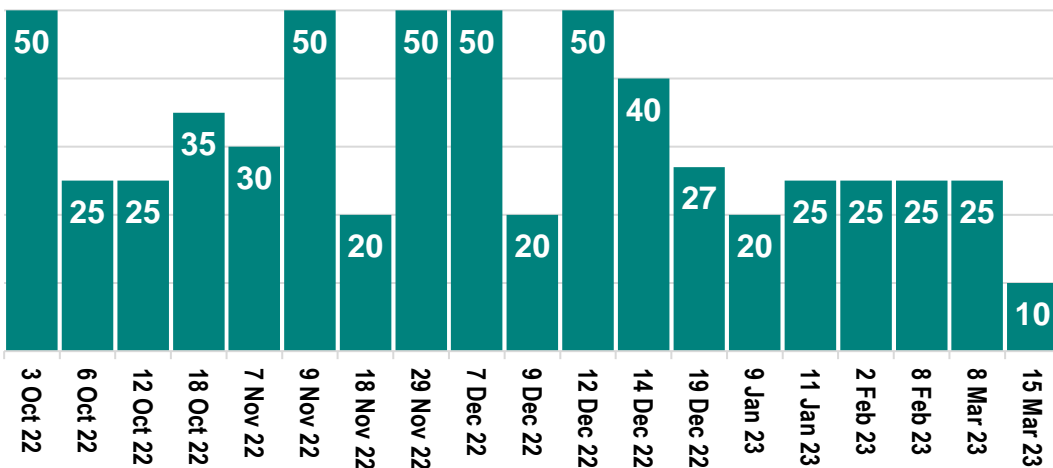
- ❑ Commenced issuance in October 2015.
- ❑ Monthly tenders via Yieldbroker.
  - NZ\$25 million 3 month Bills
  - NZ\$25 million 6 month Bills
- ❑ NZ\$602 million on issue as at 30 September 2022.
  - NZ\$170 million of tender issuance
  - NZ\$430 million of reverse enquiry private placements
- ❑ Weighted average issuance yield between 2.69% and 3.89%.
- ❑ Rated A-1+ by S&P.
- ❑ Same security as LGFA Bonds.
- ❑ LGFA pays Approved Issuer Levy (AIL) on behalf of investors.

3 month LGFA Bill Spreads (bps)

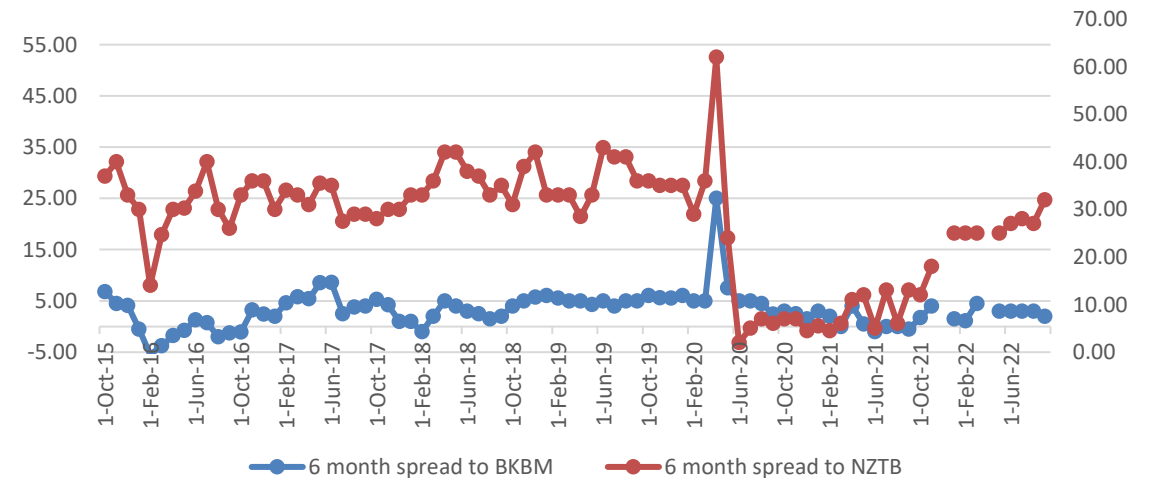


LGFA bills on issue

As at 30 September 2022: NZ\$602 million

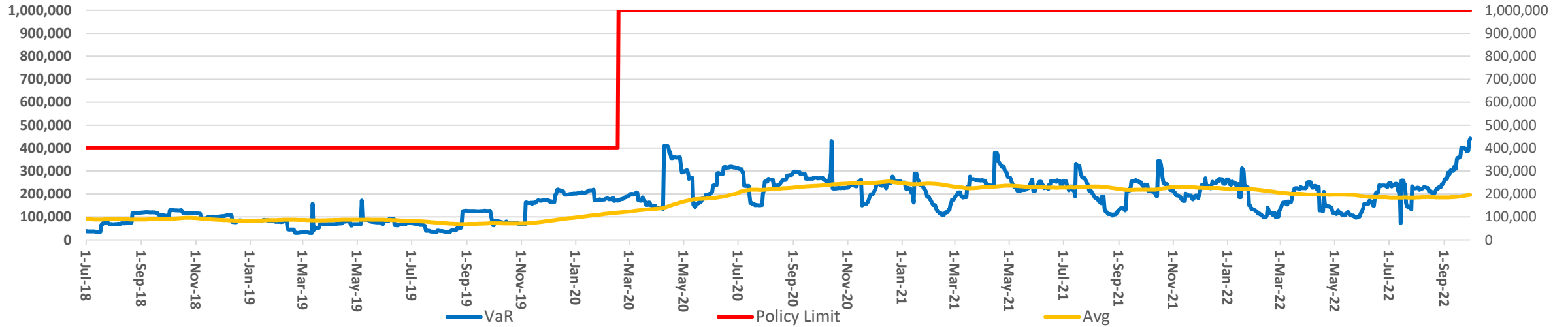


6 month LGFA Bill Spreads (bps)

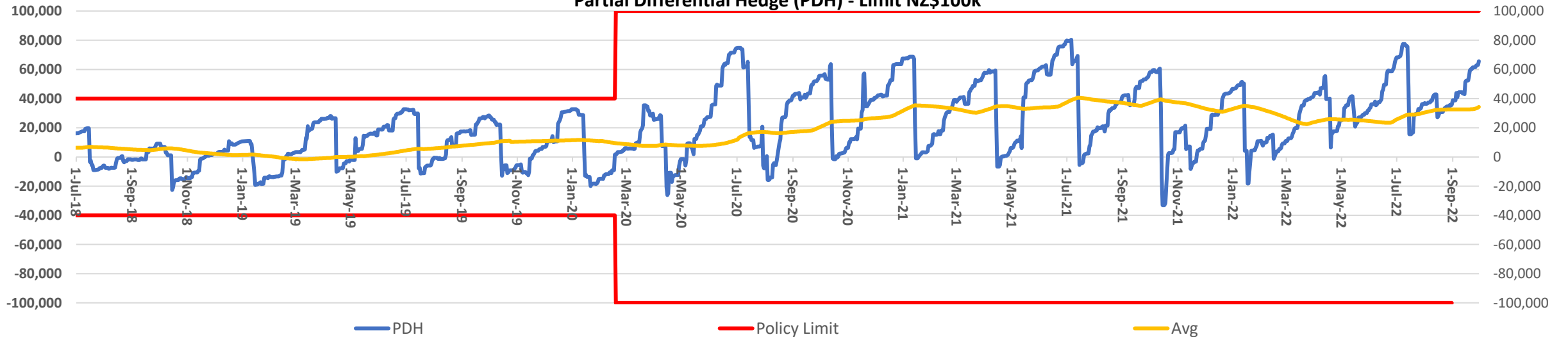


# MINIMAL VaR AND PDH EXPOSURES

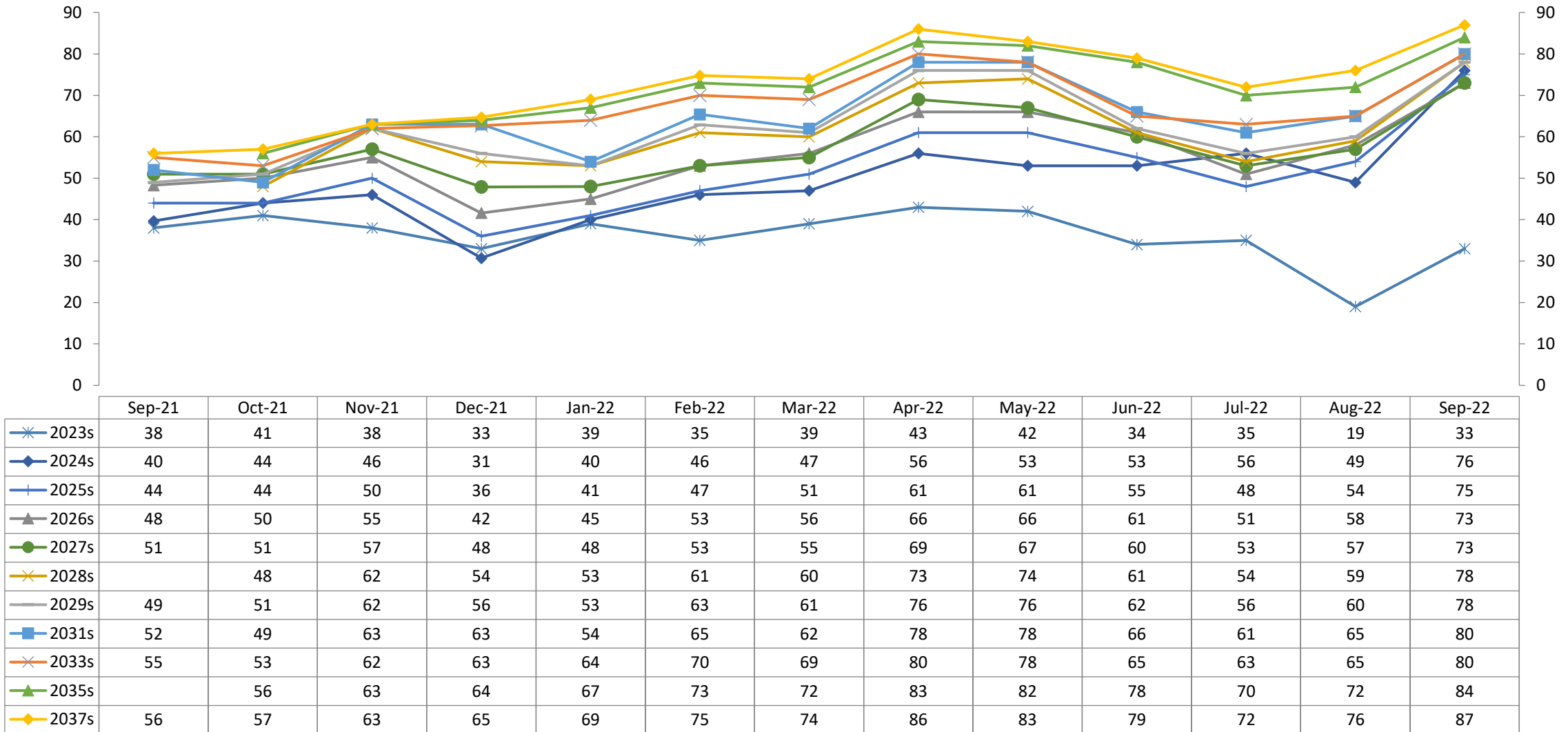
**Value at Risk (VaR) - Limit NZ\$1 million**



**Partial Differential Hedge (PDH) - Limit NZ\$100k**



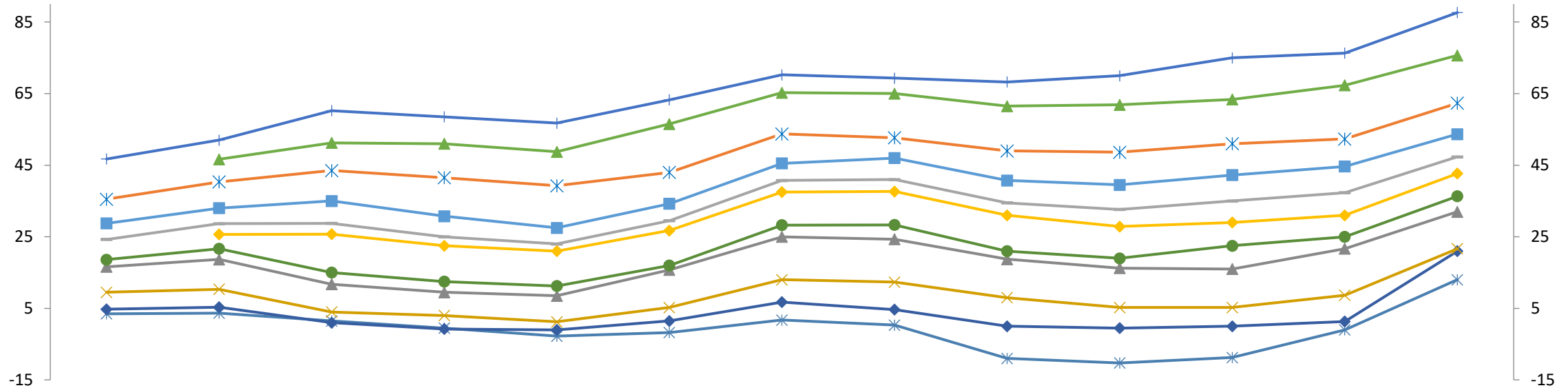
# LGFA SPREADS TO NZGB (bps)



Secondary market levels as at end of each month taken from end of month closing rate sheets

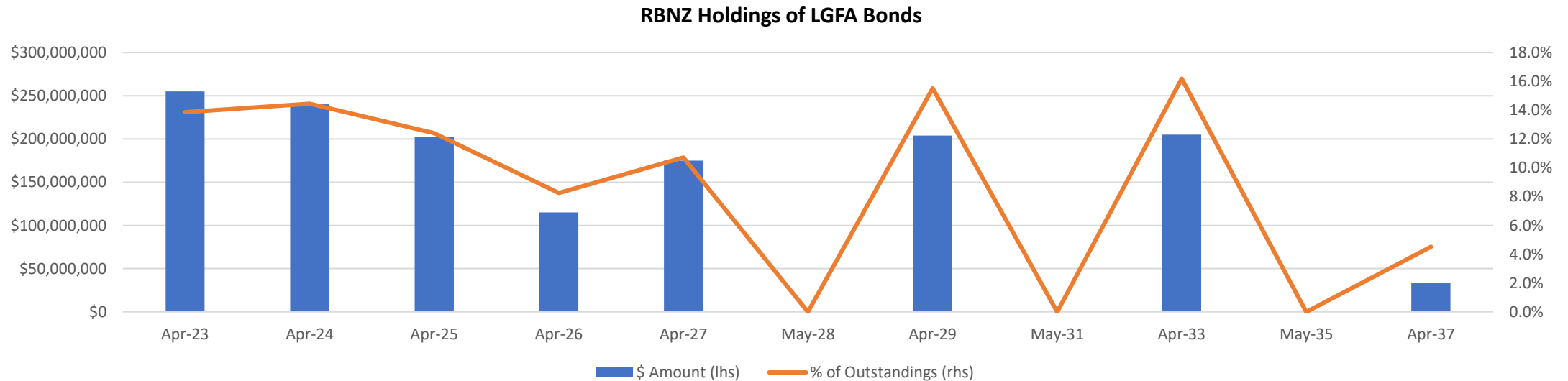
Source: LGFA

# LGFA SPREADS TO SWAP (bps)



	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
2023s	4	4	2	-1	-3	-2	2	0	-9	-10	-9	-1	13
2024s	5	5	1	-1	-1	2	7	5	0	-1	0	1	21
2025s	10	10	4	3	1	5	13	12	8	5	5	9	22
2026s	17	19	12	10	9	16	25	24	19	16	16	22	32
2027s	19	22	15	13	11	17	28	28	21	19	23	25	36
2028s		26	26	23	21	27	38	38	31	28	29	31	43
2029s	24	29	29	25	23	30	41	41	35	33	35	37	47
2031s	29	33	35	31	28	34	46	47	41	40	42	45	54
2033s	36	40	44	42	39	43	54	53	49	49	51	52	62
2035s		47	51	51	49	57	65	65	62	62	63	67	76
2037s	47	52	60	59	57	63	70	69	68	70	75	76	88

- ❑ RBNZ first purchased LGFA bonds on market during week of 6 April 2020.
- ❑ Announced adding LGFA Bonds to Large Scale Asset Purchase (“LSAP”) programme on 7 April 2020.
- ❑ Commenced buying under LSAP programme on 16 April 2020.
- ❑ Total purchases of LGFA Bonds amounted to NZ\$1.904 billion.
- ❑ RBNZ ceased purchases in late February 2021.
- ❑ RBNZ holds NZ\$1.429 billion or 9.4% of LGFA bonds on issue (excluding LGFA treasury stock).
- ❑ RBNZ announced in February 2022 they will hold the LGFA bonds until maturity.



## Largest issuers of NZD bonds – by outstandings

	Issuer	Amount Outstanding (NZ\$ millions)
1	LGFA (AAA)	\$16,635,000,000
2	Asian Development Bank (AAA)	\$8,429,000,000
3	World Bank (AAA)	\$8,124,900,000
4	Housing New Zealand Ltd (AAA)	\$7,840,000,000
5	Westpac Bank Group (AA-)	\$3,975,000,000
6	International Finance Corp (AAA)	\$3,615,000,000
7	Bank of New Zealand / NAB (AA-)	\$3,550,000,000
8	Kommunalbanken (AAA)	\$3,166,600,000
9	ASB Bank / CBA Group (AA-)	\$2,536,000,000
10	Rentenbank (AAA)	\$2,355,000,000
11	Inter-American Development Bank (AAA)	\$2,316,000,000
12	Auckland Council (AA)	\$1,955,000,000
13	ANZ Bank Group (AA-)	\$1,840,000,000
14	Transpower (AA-)	\$1,600,000,000
15	Nordic Investment Bank (AAA)	\$1,375,000,000
16	Toyota Finance Group (AA-)	\$1,326,130,000
17	Infratil (unrated)	\$1,272,510,525
18	Vector (BBB)	\$1,192,205,000
19	Mercury (BBB+)	\$1,125,000,000
20	Kiwibank (A)	\$1,080,000,000

## Largest individual tranches of NZD bonds

Issuer	Maturity	Amount Outstanding (NZ\$)
LGFA	15/04/2024	\$2,158,000,000
LGFA	15/04/2027	\$1,981,000,000
LGFA	15/04/2026	\$1,965,000,000
LGFA	15/04/2023	\$1,930,000,000
LGFA	15/04/2025	\$1,909,000,000
Housing New Zealand Ltd	12/06/2025	\$1,875,000,000
World Bank (IBRD)	30/11/2026	\$1,500,000,000
LGFA	20/04/2029	\$1,462,000,000
Housing New Zealand Ltd	18/10/2028	\$1,425,000,000
LGFA	15/05/2028	\$1,420,000,000
LGFA	14/04/2033	\$1,390,000,000
World Bank (IBRD)	24/01/2024	\$1,300,000,000
Housing New Zealand Ltd	5/10/2026	\$1,240,000,000
Asian Development Bank	17/01/2023	\$1,225,000,000
Asian Development Bank	28/01/2027	\$1,200,000,000
Housing New Zealand Ltd	24/04/2030	\$1,150,000,000
LGFA	15/05/2031	\$1,050,000,000
World Bank (IBRD)	10/05/2028	\$1,000,000,000
World Bank (IBRD)	10/06/2026	\$1,000,000,000
Kommunalbanken AS	14/04/2023	\$1,000,000,000

# LGFA HISTORIC FINANCIAL PERFORMANCE

Financials (NZ\$ million)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Interest Income	\$10.9	\$73.7	\$149.1	\$222.8	\$278.2	\$320.7	\$342.8	\$361.1	\$370.2	\$377.2	\$393.5
Interest Expense	\$9.9	\$68.1	\$138.9	\$208.9	\$262.6	\$303.2	\$323.9	\$342.3	\$351.9	\$357.7	\$356.0
Net Interest Income	\$1.0	\$5.7	\$10.2	\$13.9	\$15.5	\$17.5	\$18.9	\$18.8	\$18.3	\$19.5	\$17.5
<b>Total Income</b>	<b>\$1.0</b>	<b>\$5.7</b>	<b>\$10.2</b>	<b>\$13.9</b>	<b>\$15.5</b>	<b>\$17.5</b>	<b>\$18.9</b>	<b>\$18.8</b>	<b>\$18.3</b>	<b>\$19.7</b>	<b>\$18.6</b>
Operating Expenses	(\$5.2)	(\$3.0)	(\$3.2)	(\$4.7)	(\$6.0)	(\$6.5)	(\$7.1)	(\$7.6)	(\$7.7)	(\$7.7)	(\$7.9)
<b>Net Profit</b>	<b>(\$4.2)</b>	<b>\$2.6</b>	<b>\$7.0</b>	<b>\$9.2</b>	<b>\$9.5</b>	<b>\$11.0</b>	<b>\$11.8</b>	<b>\$11.2</b>	<b>\$10.6</b>	<b>\$12.0</b>	<b>\$10.7</b>
Liquid Assets Portfolio	\$52.8	\$66.3	\$101.7	\$107.9	\$266.3	\$327.5	\$482.8	\$448.1	\$1,254.8	\$1,815.2	\$2,112.0
Loans to Local Government	\$832.7	\$2,514.9	\$3,742.5	\$5,031.9	\$6,451.3	\$7,783.9	\$7,975.7	\$9,310.6	\$10,899.8	\$12,029.0	\$14,042.0
Other Assets	\$57.5	\$107.0	\$74.0	\$271.9	\$539.7	\$380.0	\$321.1	\$610.1	\$1.0	-\$1.5	-\$0.1
<b>Total Assets</b>	<b>\$943.0</b>	<b>\$2,688.2</b>	<b>\$3,918.2</b>	<b>\$5,411.8</b>	<b>\$7,257.3</b>	<b>\$8,491.4</b>	<b>\$8,779.6</b>	<b>\$10,382.3</b>	<b>\$13,174.4</b>	<b>\$14,485.0</b>	<b>\$16,250.0</b>
Bonds on Issue	\$908.9	\$2,623.6	\$3,825.3	\$5,247.3	\$6,819.7	\$7,865.4	\$8,101.0	\$9,612.4	\$12,038	\$13,218	\$14,016
Bills on Issue	\$ nil	\$ nil	\$ nil	\$ nil	\$223.9	\$348.2	\$473.4	\$503.2	\$647.0	\$610.0	\$563.0
Borrower Notes	\$13.2	\$40.7	\$61.9	\$85.1	\$108.4	\$131.6	\$135.1	\$154.2	\$182.3	\$223.3	\$283.0
Other Liabilities	\$0.2	\$0.6	\$2.1	\$16.1	\$61.0	\$92.3	\$5.8	\$38.5	\$38.5	-\$338.0	-\$1,283.0
<b>Total Liabilities</b>	<b>\$922.3</b>	<b>\$2,664.8</b>	<b>\$3,889.3</b>	<b>\$5,375.6</b>	<b>\$7,213.0</b>	<b>\$8,437.5</b>	<b>\$8,715.3</b>	<b>\$10,308.2</b>	<b>\$13,090.1</b>	<b>\$14,390.0</b>	<b>\$16,145.0</b>
<b>Shareholder Equity</b>	<b>\$20.8</b>	<b>\$23.4</b>	<b>\$28.8</b>	<b>\$36.3</b>	<b>\$44.2</b>	<b>\$53.9</b>	<b>\$64.3</b>	<b>\$74.1</b>	<b>\$83.6</b>	<b>\$94.8</b>	<b>\$105.0</b>

Note: As at 30 June each year or for the twelve month period ending 30 June each year.

Source: LGFA Annual Reports



# LGFA HISTORIC FINANCIAL RATIOS

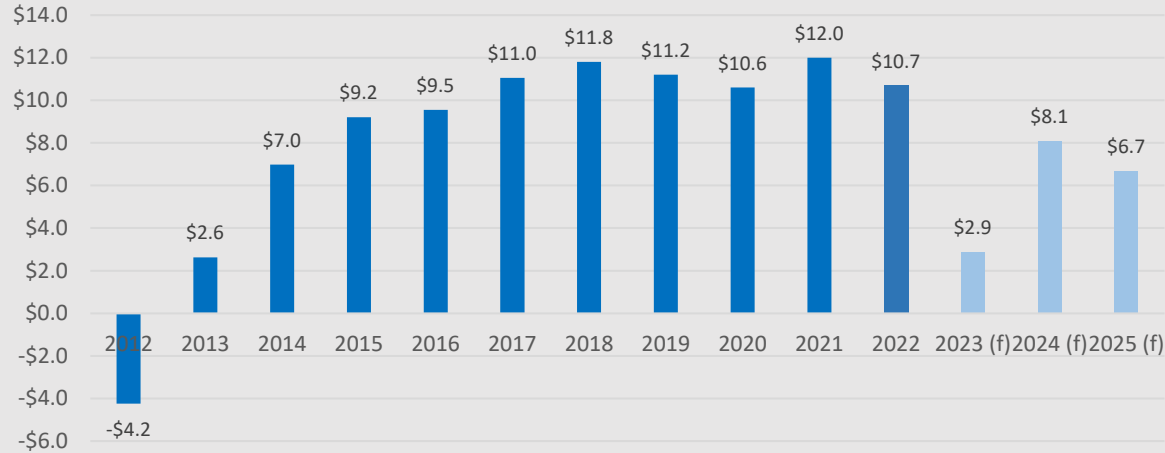
Ratios as at 30 June each year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Liquid Assets / Funding Liabilities	5.7%	2.5%	2.6%	2.0%	3.8%	4.1%	5.6%	4.4%	9.9%	13.5%	14.8%
Liquid Assets / Total Assets	5.6%	2.5%	2.6%	2.0%	3.7%	3.9%	5.5%	4.3%	9.5%	13.1%	13.0%
Net Interest Margin	0.12%	0.23%	0.27%	0.28%	0.24%	0.23%	0.22%	0.18%	0.15%	0.16%	0.13%
Cost to Income Ratio	531.2 %	53.6%	31.8%	33.8%	38.7%	37.1%	37.6%	40.4%	42.0%	39.1%	42.5%
Return on Average Assets	-0.45%	0.10%	0.18%	0.17%	0.13%	0.13%	0.13%	0.11%	0.09%	0.09%	0.07%
Shareholder Equity / Total Assets	2.2%	0.9%	0.7%	0.7%	0.6%	0.6%	0.7%	0.7%	0.7%	0.7%	0.6%
Shareholder Equity + Borrower Notes / Total Assets	3.6%	2.4%	2.3%	2.2%	2.1%	2.2%	2.3%	2.2%	2.0%	2.3%	2.4%
Asset Growth	n/a	185.1 %	45.8%	38.1%	34.1%	17.0%	13.4%	18.3%	26.9%	9.9%	12.2%
Loan Growth	n/a	202%	48.8%	34.5%	28.2%	20.7%	2.4%	16.7%	17.1%	10.7%	16.4%
Return on Equity	n/a	12.7%	29.8%	31.9%	26.3%	25.0%	21.9%	15.1%	12.7%	14.3%	11.3%
Capital Ratio	18.0%	11.9%	11.6%	11.2%	10.5%	10.9%	11.4%	11.0%	10.1%	11.0%	11.9%

Note: As at 30 June each year or for the twelve month period ending 30 June each year.

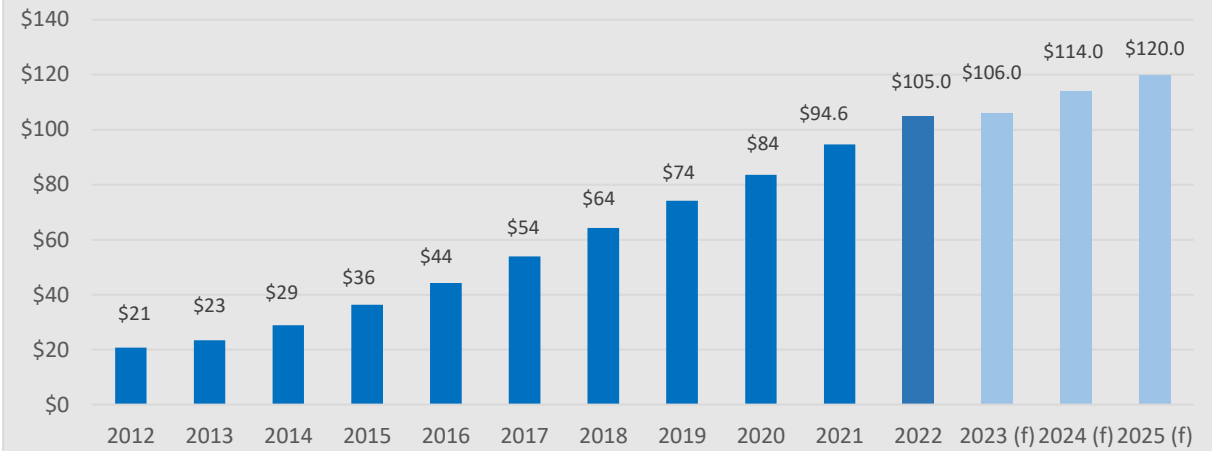
Source: LGFA Annual Reports

# LGFA HISTORIC AND FORECAST FINANCIALS

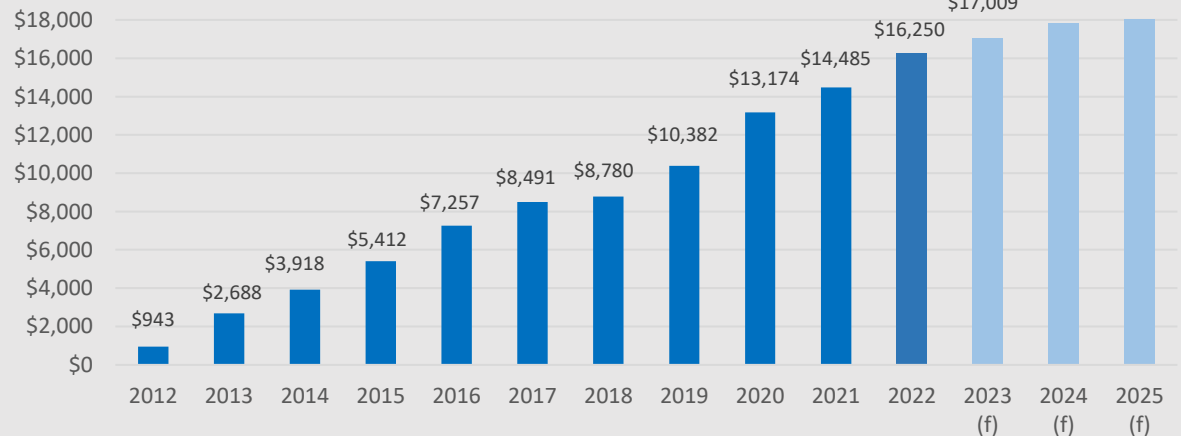
### Net Operating Gain (NZ\$ million)



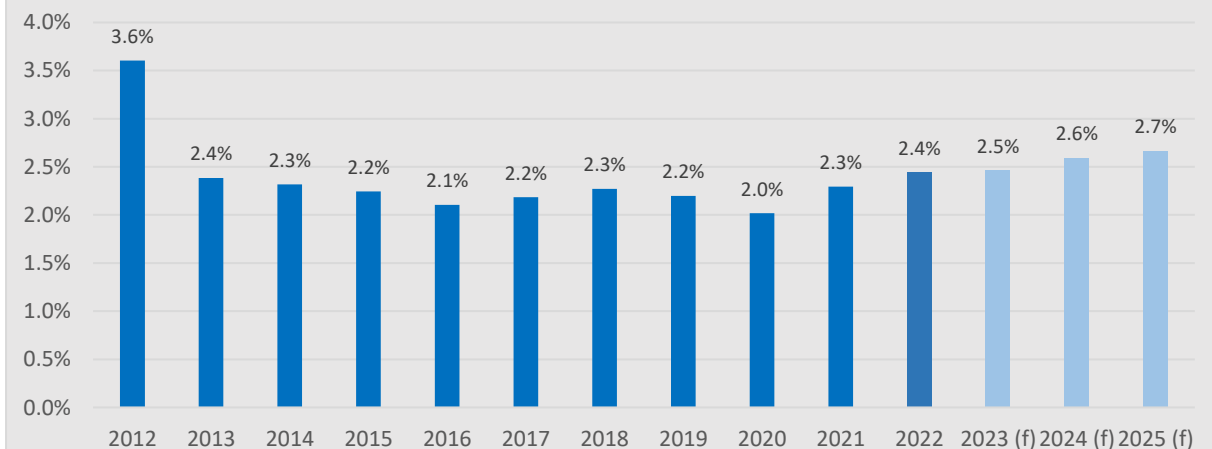
### Shareholder Equity (NZ\$ million)



### Total Assets (NZ\$ million)



### Shareholder Funds + BNs / Total Assets

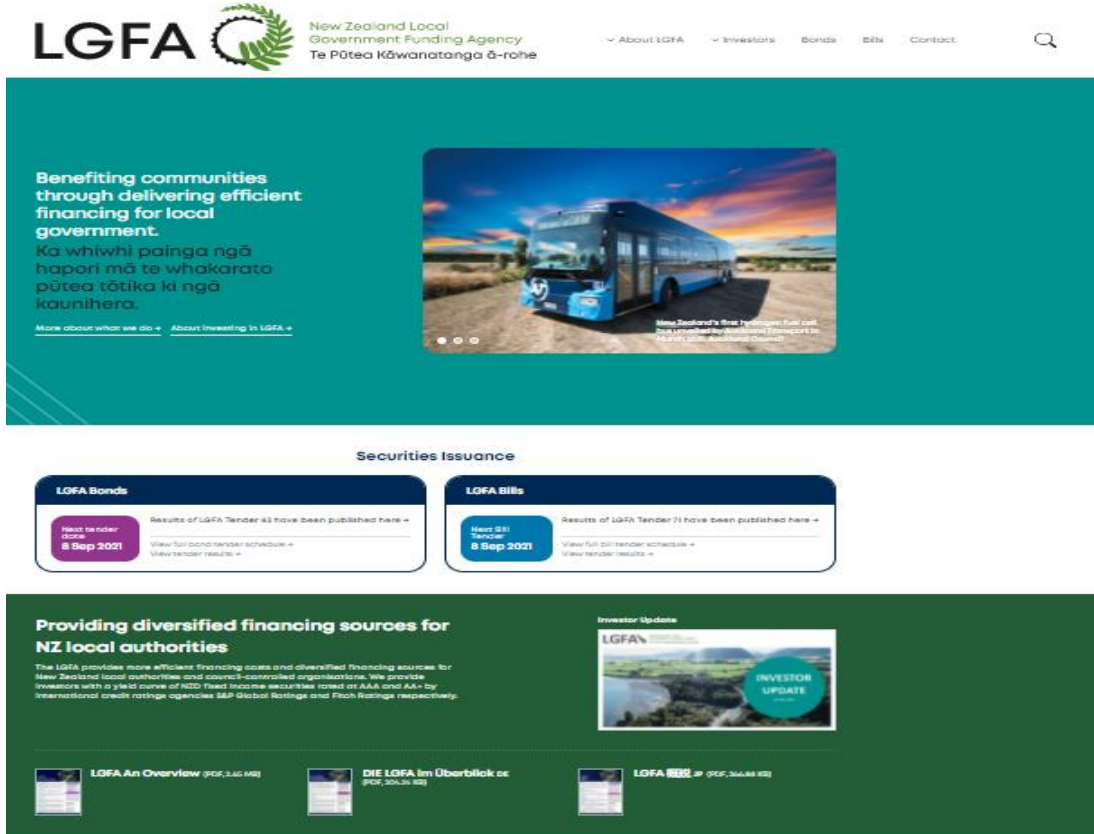


**Note:** Based upon nominal values

**Source:** LGFA Annual Reports and SOI

Forecast performance based upon assumptions outlined in LGFA SOI 2022-25 available at [www.lgfa.co.nz/investors/annual-reports-and-statement-intent](http://www.lgfa.co.nz/investors/annual-reports-and-statement-intent)

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